

POWER+WATER

NEWSLETTER OF THE CONSUMER UTILITIES ADVOCACY CENTRE

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Cost reflective electricity pricing



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**Critical Review
of Key
Consumer
Protections**

■
**Fuel Poverty:
Energy Spending
in Australia**

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**Energy
Comparator Code
of Conduct
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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 Grants program
- Investigates and responds to systemic issues affecting Victorian consumers in the competitive electricity and gas markets and with regard to water.

POWER+WATER is published by the
Consumer Utilities Advocacy Centre Ltd.
Level 2, 172 Flinders St
Melbourne Victoria 3000

P: (03) 9639 7600
F: (03) 9639 8966
info@cuac.org.au
www.cuac.org.au
ACN: 100 188 752



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Cost reflective electricity pricing

Engaging with network tariff reform

Electricity distributors will shortly propose new, cost reflective network tariffs. CUAC's latest report helps consumers put their views forward on tariff design and implementation.

Cost reflective pricing is a complex topic, but network tariff reform will significantly change the way distributors charge for electricity. This will affect retail electricity plans. The effects on consumers' bills are still uncertain, but the time to put views forward in the process is now.

CUAC's new report, *Cost Reflective Pricing: Engaging with Network Tariff Reform in Victoria*, is designed to help consumers, consumer advocates, and community groups engage with electricity distribution businesses and policy makers in their development and implementation of cost reflective tariffs.

A 2014 decision by the Australian Energy Market Commission (AEMC) obliges Distribution Network Service Providers ("distributors") to develop new electricity tariffs. CUAC reported on the AEMC's decision in POWER + WATER Issue 11 (see *Cost reflective electricity tariffs coming*).

The New tariffs must be cost reflective – that is, the prices distributors charge must reflect "the efficient costs of providing network services to each consumer." Research for the AEMC suggests cost reflective tariffs would cause average network charges per person to fall by between \$28 and \$57 a year in the medium term.

Context

To ensure everyone can use electricity when they want and need it, an electricity network has to be able to deal with the highest level of demand reached in a year. This 'peak demand' is usually on hot summer afternoons, when businesses are operating and many homes are running big appliances such as air conditioners.

Transporting energy during peak periods costs more than transporting it at other times, because more infrastructure is required at once.

The cost of building infrastructure to deal with peak demand is significant, but consumers aren't currently exposed to the cost: we pay for networks based on our total electricity usage, not our highest levels of usage. Households with high peak demand and low total usage pay less than the costs they incur on the network, and the shortfall is paid by households with low demand and high usage.

Cost reflective tariffs would allocate network costs to those who incur them, reducing the cross-subsidies between users. Where consumers are confronted with the actual costs of their electricity usage and decide to change their behaviour accordingly, network investment can be avoided and costs reduced. Those who are happy to pay need not change their behaviour.

Cost reflective network tariffs are a step toward exposing consumers the true cost of their actions. (The manner in which consumers see these costs will depend on factors such as how energy retailers choose to represent the new tariffs in their bills.)



Over time, this should lead to lower, fairer network costs for all consumers than continuing with current tariffs.

Tariff concepts

Good tariffs should be efficient, equitable, provide stable bills for consumers and stable revenue for businesses, and be acceptable to customers. There are several types of cost reflective tariffs, and each fulfils these objectives to a greater or lesser extent.

Two part tariffs are currently the most common form of tariff for Australian households. The two parts are typically a fixed charge (e.g. per day) and a variable charge (e.g. per kWh of energy used or consumed). Every unit of consumption faces the same charge: the variable charge is flat (per unit of energy).

Two part tariffs are reasonably simple to understand, but are not cost reflective: the flat energy price cannot reflect that the cost of using electricity changes over time (i.e. that peak demand is expensive).

Inclining Block/Declining Block Tariffs treat different levels of consumption differently. Consumption is split into pre-determined 'blocks', each with its own price.

In an inclining block tariff, the first block of energy used will face lower charges and latter blocks (higher levels of consumption) will face higher charges. In a declining block tariff, the first block of energy used will face higher charges and latter blocks (higher levels of consumption) will face lower charges.

Inclining block tariffs are more cost reflective than two part tariffs and are common in residential electricity and gas markets. They are simple enough to be applied to properties using accumulation meters, while more complex tariffs require more advanced meters.

Seasonal pricing treats consumption in different months differently. For instance, in residential gas pricing the variable charge (unit price) is commonly higher in winter than in summer, to reflect that the gas network is closer to capacity in winter than in summer.

The same approach can be applied to electricity tariffs, to reflect that the electricity network is typically closer to capacity in summer than in winter.

Time of use pricing treats consumption at different times of the day differently. Days are commonly split into two or three periods: peak and off peak; or peak, shoulder, and off peak.

Time of use pricing is cost reflective when peak periods correspond with the times that the network faces high load. Off peak periods reflect times of low network load, and shoulder periods fall in between.

The multiple components and changes to prices every day make time of use tariffs initially challenging to understand for many consumers. The tariffs also require interval meters (sometimes known as "smart meters"), which measure usage at regular intervals several times per day. These are common in Victoria, but not in other states.

Maximum demand tariffs includes a charge for the highest level of instantaneous usage ("demand", in kW) within a given time period. A monthly maximum demand tariff, for example, would charge according on the highest usage day during each month. Usually only demand within certain hours (e.g. 3pm–9pm) is counted, as usage outside these 'peak' times is easily handled by the network.

A household's maximum demand will typically occur when multiple appliances are running at once. For example, in summer, peak demand might be reached



when running several air conditioners and an electric cooktop; in winter, perhaps by running electric heaters, an oven, and a clothes dryer.

As with time of use pricing, demand tariffs require interval meters. They are strongly cost reflective, but most Australian households are unused to considering how much electricity they are using at a particular moment, rather than their total usage over a day, week, or month.

In other countries, tariffs based on demand are common.

Tariff proposals

Aspects of the simple tariff types discussed above can be combined. For example, the Victorian distributor United Energy (UED) has published a tariff with the following features:

- A maximum monthly demand charge, based on the highest usage reached on any day in a given month between 3 PM and 9 PM.
- Seasonal variation in this demand charge: it is higher in the 'summer' months of December–March, and lower for the rest of the year.
- A flat-rate energy charge; i.e. the charge is the same for each kWh of usage.
- A minimum demand charge, which charges a household for at least 1.5 kW even if they use less. 1.5 kW is fairly low, and UED calculate that almost all 'normal' households will exceed it with everyday usage. (They will then only pay the maximum demand charge.) The minimum demand charge is targeted at the holiday homes in UED's area that would otherwise pay nothing for most of the year.

CUAC expects the other Victorian distributors to propose tariffs with similar maximum monthly

demand charges, seasonal variation, and flat-rate energy charges. However, we expect many to include fixed charges rather than minimum demand charges.

In response to advocacy by CUAC and other consumer representatives, demand charges will only apply on workdays – i.e. consumers will not have to worry about their demand on weekends or public holidays. Usage charges will still apply.

Much to discuss

Victoria's distributors will submit their tariff proposals to the Australian Energy Regulator by 25 September 2015. Distributors in other states will follow in later months, and consumers will have opportunity to comment to the AER on the proposals.

The Victorian Government is likely to announce its policy on network tariffs in the near future, and is also investigating responses to customers who might suffer financial detriment from the reform.

Finally, once the tariffs have been finalised they must be implemented. Consumers' voices are important in each of these areas, and network tariff reform is a current area of focus for CUAC.

CUAC's *Cost Reflective Pricing* report has received very positive feedback since its release, and we commend it to any stakeholders interested in the topic (even those outside Victoria). *Cost Reflective Pricing: Engaging with Network Tariff Reform in Victoria* is available on the CUAC website, www.cuac.org.au.



CUAC regulatory review

A critical review of key consumer protections in Victoria

Have we lost the consumer safety net?
CUAC's recent report critically reviews and analyses changes to Victorian energy consumer protections.

Victoria has been at the forefront of the energy reform process with the disaggregation and privatisation of the energy industry, the introduction of a competitive market with retailer choice and retail price deregulation, and the rollout of smart meters and flexible pricing.

Energy market reform, however, has not brought uniform benefits to all consumers. The Essential Services Commission (ESC) reported that, for the period 2013/14, Victoria had the highest disconnection rate in Australia. It also noted an upward trend in wrongful disconnections.

The Energy and Water Ombudsman (Victoria) reported a marked rise in consumer complaints in 2013/14 compared to the previous year. The Australian Energy Market Commission reported in 2014 that, while Victoria has the most competitive energy market in Australia, it is also where energy retailers are making the largest profits.

At the end of 2014, CUAC embarked on a project to critically review and analyse Victorian energy consumer protections. The final *CUAC Regulatory Review: A Critical Review of Key Consumer Protections in Victoria* report was released in June 2015.

The key findings and recommendations of CUAC's report provide a timely evidentiary review of the subtle losses already experienced by Victorian consumers and anticipate the loss of further consumer protections.

New technologies, evolving markets, and the new Harmonised Energy Retail Code

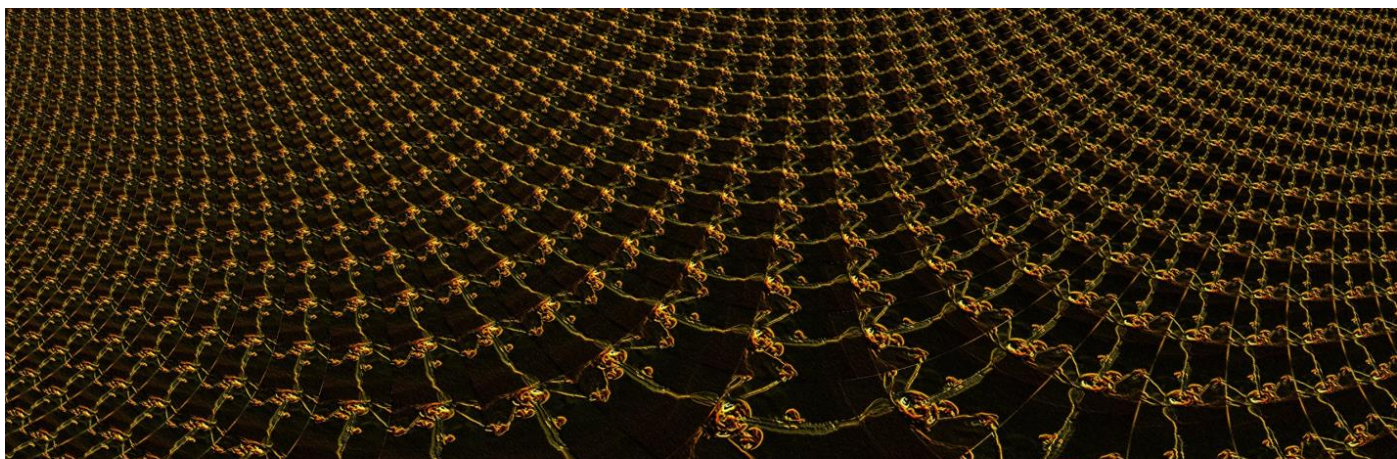
CUAC's research identifies significant gaps in the current consumer protection framework. Consumer protections have not kept up to date with the new environment of emerging technologies and the complexity of the market.

The alignment of Victoria's energy consumer protections with the National Energy Customer Framework, creating the Harmonised Energy Retail Code, has whittled away consumer protections that Victorians previously enjoyed.

As energy market reform continues to progress in Victoria, it is imperative, as a minimum, to maintain the existing levels of consumer protection prescribed in the framework. A reduction in consumer protections exposes consumers to detriment, potentially undermines consumer confidence in the competitive energy market, and discourages consumers from actively participating.

This inevitably leads to poor consumer outcomes, especially at a time where there is increasing market complexity.

Key findings and recommendations from CUAC's report are discussed below:



Clear expectations

Consumer protections must be underpinned by clearly outlined expectations and energy retailer responsibilities. Poor drafting of the Harmonised Energy Retail Code and the lack of clearly defined terms present challenges in interpreting provisions consistently.

This makes monitoring and enforcement difficult in an already challenging area for regulation. It also leaves Victorian consumers in an increasing position of vulnerability and disadvantage.

More consumers in Victoria are on 'market retail contracts' than in any other Australian jurisdiction. In 2014, the ESC reported that 89 per cent of residential customers in Victoria are on electricity market offers and 87 per cent of residential customers are on gas market offers. Market retail contracts may offer fewer protections than standard retail contracts.

Most contractual terms and conditions protecting consumers were prescribed under the previous Energy Retail Code. These protections are no longer prescribed in market retail contracts under the Harmonised Energy Retail Code. Consequently, consumers are at risk of lower protections.

Payment plans, hardship, disconnection

CUAC's research has found that the payment plan, hardship, and disconnection provisions are much weaker for consumers under the new Harmonised Energy Retail Code than the Energy Retail Code. Under the Harmonised Energy Retail Code:

- There is no universal consumer right to payment plan options. A retailer is also no longer obliged to offer another payment plan if a customer had two previous payment plans cancelled in the previous 12 months, even if the customer offers

a 'reasonable assurance' to pay;

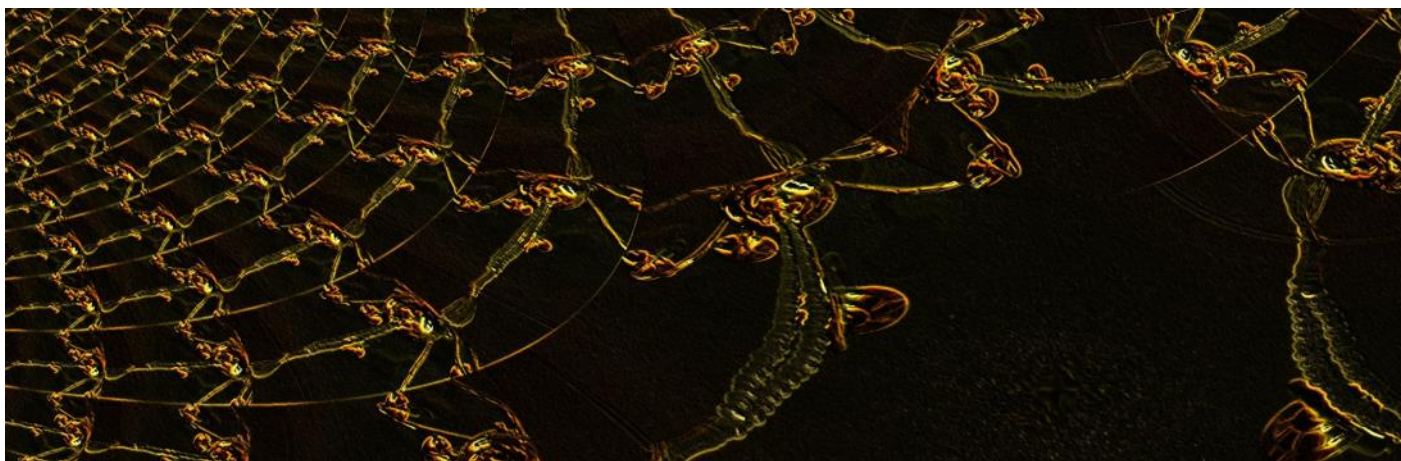
- Retailers' hardship obligations are articulated in less precise language. The disparity between hardship programs offered by retailers and the large failure rate (51 per cent) suggest that the minimum standards required of hardship policies, and the standard of the practices that implement them, may be too low; and
- Timeframes between the issue of a bill and disconnection for non payment are shorter, and notification requirements have been reduced for dual fuel customers. This is significant, as Victoria has the highest number of dual fuel households in Australia. Around 75 per cent of Victorian households have an electricity and mains gas connection (see POWER+WATER Issue 11, *Our Gas Challenge*). The notification requirements for a shorter collection cycle period have also been reduced.

Advocacy

There is a real risk that the weaker consumer protections will result in more customers struggling to meet their energy bill payments and being vulnerable to disconnection. CUAC's research formed part of our response to the ESC's Inquiry into the Financial Hardship Arrangements of Energy Retailers earlier this year.

The ESC's draft report released in September, proposes a new framework on hardship. CUAC has submitted a response and is working with the ESC and consumer groups to seek fair outcomes for all Victorian consumers.

CUAC has advocated for government and regulators to address gaps in consumer protections for Victorian customers of energy re-sellers (exempt sellers) since our 2012 research in this area, *Growing Gaps: Consumer Protections and Energy Re-sellers*.



CUAC has been actively engaged in the Department of Economic Development, Jobs, Transport and Resources' (DEDJTR) Review of the General Exemption Order, which commenced in July 2015.

Embedded networks

CUAC is pleased that DEDJTR's review has considered the findings of our 2012 research. The current exempt selling framework was developed with caravan parks, rooming houses, and other similar small scale activities in mind and does not accommodate the larger scale re-selling activities that are occurring today including re-selling in high rise residential developments.

CUAC's starting point is that all consumers, regardless from whom they obtain their energy supply (energy retailer or re-seller), should be entitled to equivalent consumer protections. This includes access to the Energy and Water Ombudsman (Victoria).

The exempt selling framework restricts a consumer's right to access other energy suppliers and choose new products and services. DEDJTR's review should investigate the root causes of exempt selling, including the connection and timing issues that may encourage property developers to choose embedded networks.

In addition, the review should consider the possible technical and planning solutions that may be able to respond to exempt selling and the potential for its increased prevalence in the expanding number of apartment and community developments.

The existence of an embedded network and its implications (for example, the practical barriers to exercising retailer choice and the 'equity gap' if electricity is supplied by a re-seller) should be a matter that is disclosed to all consumers who are contemplating moving into a building with an

embedded network (or which will soon be configured with an embedded network).

Smart meter technology and other advancements have paved the way for the development of new products, services, and innovative business models that may be offered by retailers, distribution businesses, and third parties. Some Victorian consumer protections are at risk of being eroded as regulatory frameworks do not have the ability to respond to these developments.

The question remains as to whether Victoria's smart meter consumer protections are sufficient to cover these emerging technologies and business models and address the risks that metering contestability might pose to Victorian consumers.

For the Victorian consumer, network tariff reforms are also fraught with issues of equity and investment. (See previous article.) The Victorian Government needs to shape this process and help consumers understand and participate effectively in the reform process, encouraging industry to cooperate and help deliver consumer benefits. The interests of vulnerable and disadvantaged consumers need to be addressed under a substantially different tariff environment.

Given the substantial changes that have occurred in the energy market, CUAC believes that the regulatory framework needs to be reviewed to ensure that consumer protections are fit for purpose and meet the long term interests of consumers.

CUAC Regulatory Review: A Critical Review of Key Consumer Protections in Victoria can be downloaded from www.cuac.org.au.

If you would like further information, please make contact with Deanna Foong on (03) 9639 7600 or deanna.foong@cuac.org.au.



Energy Comparator Code of Conduct

The new national Energy Comparator Code of Conduct (ECCC), launched in October, holds comparators to a higher standard.

Energy markets are complex, and show no signs of becoming simpler. There are over 4,000 electricity retail offers in Victoria – a Herculean task for anyone trying to compare them all.

Comparators and switching services can help. By comparing plans on consumers' behalf and helping them switch, comparators and switching services help consumers understand and choose the most appropriate products for their situation.

Launched in October, by Delia Rickard, Deputy Chair of the ACCC, the ECCC aims to provide customers and stakeholders of comparators with an assurance of quality and best practice principles. Co-developed by consumer groups, energy retailers, and comparators themselves, it already covers over half the switching market.



Mercedes Lentz (CUAC) and Delia Rickard (ACCC).

CUAC has advocated for better standards of comparators since 2010 (see our report, *Energy Switching Sites*). With wide consumer support we developed a set of principles for an industry code of conduct, and brought together stakeholders from across the energy sector in a 2013 forum, *Toward a voluntary code of conduct for energy switching services*.

This led to a cross-industry working group, chaired by CUAC, of four comparators, three retail organisations, and three consumer groups. The group met between 2014 and 2015 and consulted widely with stakeholders to develop the ECCC. The ACCC were an observer.



Working group members Victoria Rosen (Origin), Jo de Silva (SACOSS), and Martin Jones (CUAC; Chair).

Signatories to the code commit to standards of impartiality and transparency, clarity and comprehensibility, correctness and accuracy, consistency, complaint handling, and consumer empowerment.

Consumers should keep an eye out for the ECCC signatory logo when using an energy comparator, or check out the code and full list of signatories on the ECCC webpage: www.cuac.org.au/ECCC



Fuel poverty

Household income and energy spending in Australia

A forthcoming report by the Brotherhood of St. Laurence, funded by CUAC, shows how fuel expenditure relates to the socioeconomic status of families and characterises fuel poverty in Australia.

Over recent decades there has been a growing concern in high-income countries about the extent and welfare consequences of fuel poverty and energy related forms of deprivation. In both Europe and the USA this has led to intense debate and research about the measurement of fuel poverty and its implications for energy policy.

In contrast, fuel poverty has received minimal attention in Australia. Australian research on this issue is very scarce.

The Brotherhood of St. Laurence's (BSL's) forthcoming report, *Fuel poverty, household income and energy spending*, aims to contribute to energy research in Australia by quantifying and characterising fuel poor households using household data from the Household, Income, and Labour Dynamics in Australia (HILDA) survey for the period 2005–2011. This project was funded by a CUAC grant.

As part of the HILDA survey, households are asked to report various households' expenses including their annual expenditure on electricity bills, gas bills, and other heating fuel such as firewood and heating oil. BSL used these reported values to construct their measure of fuel expenditure.

Concepts and definitions

The BSL report has two objectives:

First, it documents recent trends in household fuel expenditure and shows how fuel expenditure relates to the socioeconomic status of families, measured by two alternative indicators of economic wellbeing: household disposable income and a multidimensional measure of social exclusion.

Second, it characterises fuel poverty in Australia by making use of different concepts of fuel poverty that have been proposed in international literature.

These definitions can be grouped into two broad categories: the *income–expenditure* definitions and *consensual* definitions of fuel poverty (see Table 1).

The *income–expenditure* category includes those definitions that identify as fuel poor those for whom fuel costs represent a high share of their budget. Identification of fuel poor households by these definitions was based only on information about households' income and fuel expenditures.

In contrast, *consensual* concepts of fuel poverty are based on information about the capacity of families to afford energy expenditures and the impact of these on their finances. For the analysis, the report considers in particular two concepts: households' self-reported ability to heat their homes and their ability to pay energy bills on time.



Table 1: Summary of definitions used to identify fuel-poor households

Income-expenditure definitions	Capture monetary dimensions of fuel poverty
Low income-high cost	Identifies households who have fuel costs above the median level and a residual income after fuel expenditure below the official poverty line (following Hills 2012)
Cost-income ratio > 0.1	Identifies households whose fuel costs exceed 10 per cent of their income (following Boardman 1991).
Cost-income ratio > 2 x median ratio	Identifies households whose fuel costs-income ratio exceeds twice the median cost to income ratio (following Moore 2012).
Consensual definitions	Capture exclusion dimensions of fuel poverty
Unable to heat the home	Identifies households who state they are unable to heat their home (following Thomson and Snell 2013)
Could not pay bills on time	Identifies households who state they cannot pay their electricity, gas or telephone bills on time

Fuel expenditure and socioeconomic disadvantage

The impact of fuel expenditures on families' finances varies across socioeconomic groups. Similarly to previous analyses available in the literature, BSL find a clear fuel expenditure gradient by socioeconomic status (SES). Thus, while fuel expenditure increases with the level of household income, the percentage of income spent on fuel clearly declines as income increases.

That is, households with a low income spend a larger share of their incomes on fuel than higher income households.

According to the report's estimates, in 2011 those in the bottom decile (lowest 10 per cent) of the income distribution spent on average nearly 7 per cent of their annual incomes on fuel, whereas the richest decile spent slightly more than 1 per cent of their incomes.

Interestingly, a similar relationship between energy expenditures and SES is found when the multidimensional measure of social exclusion developed by the Brotherhood of St. Laurence and the University of Melbourne (UoM) is used instead of the income poverty indicator. The BSL-UoM quantifies

families' level of disadvantage using information on 30 indicators from seven welfare domains including material resources, employment, education and skills, health and disability, social connection, community, and personal safety.

The most excluded households spend less in absolute terms on fuel than other groups, but in relative terms they spend a larger share of their income on fuel. In 2011, the most socially excluded households spent around 4.5 per cent of their income on fuel and the least excluded households only around 2 per cent.

The report's estimates for the period 2005–2011 show a significant increase in fuel expenditure by Australian households. However, despite this increase, the report find little variation in the share of income spent by households on fuel between 2005 and 2011. This is true for the different SES groups regardless of whether this is defined in terms of income or social exclusion.

One possible explanation is that the rise in energy prices was at least partially offset (on average) by the increase in household disposable incomes observed during that period.



Fuel poverty – which definition?

BSL's analysis of the HILDA data reveals that the definition of fuel poverty plays a crucial role in quantifying the prevalence of fuel poverty and characterising fuel-poor households. Their report finds that the *income-expenditure* and the *consensual* definitions of fuel poverty identify very different groups of fuel-poor households and the overlap between those groups is rather limited.

Thus, while the incidence of households that are unable to heat the home is 2–3 per cent throughout 2005–2011, the incidence of households that report problems with bills is between 8 and 11 per cent. About 8 per cent of households are identified as fuel-poor according to the *low income-high cost definition*, whereas the number of fuel households identified by the *cost-to-income definitions* ranges between 2 and 20 per cent depending on the threshold considered.

The report estimates that, in 2011, more than 300,000 households were unable to heat their homes while more than 800,000 had problems paying bills.

Interestingly, the report's results show little change in the prevalence of fuel poverty between 2005 and 2011 for most of fuel poverty concepts considered. This happened despite the large increase in electricity prices, which suggests that many incomes – but not all – rose enough to keep up with energy prices.

However, this may not be true for those households relying on Newstart or Youth Allowance, which are indexed by CPI rather than average weekly earnings used to index pension payments.

With regard to the characteristics of the fuel poor, the report finds that small households with one or two members account for more than half of the fuel poor

regardless of the definition considered. Similarly, households with a person with disability are clearly overrepresented, accounting for more than 50 per cent of the fuel poor for all the concepts considered.

However, the report's analysis reveals important differences in housing tenure across definitions. More than 60 per cent of those identified as fuel-poor by the *income-expenditure* group of measures own their main residence whereas private renters are the largest group among those who are unable to heat the home (37 per cent) or could not pay their bills on time (42 per cent).

Fuel poverty and energy policy

Energy policies aimed at fighting energy hardship should target those who are most in need. However, this may not be an easy task, given the limited overlap between the different fuel poverty indicators.

In order to shed some light on this issue, BSL performed wellbeing comparisons across the various fuel poor groups using information on income, social exclusion, and consumption indicators. They find that the ranking of fuel poor groups depends on the wellbeing indicator considered.

For instance, those identified as fuel-poor by the *low income-high cost* indicator are unambiguously poorer in terms of income than other groups. In contrast, those who are unable to heat their homes are the most deprived in terms of total household expenditures.

This suggests that no single definition of fuel poverty captures all forms of energy hardship. The results of this study show that, if used in isolation, none of the definitions tested would adequately cover the diverse households who experience fuel poverty in Australia.

Once released, the report will be available on www.cuac.org.au.



Gas environment update

A fall in international gas prices since 2014 means Australian east coast retail gas prices are still likely to rise – but not as sharply as initially feared.

Since late 2014, the Australian east coast has for the first time been linked with international liquefied natural gas (LNG) markets. The construction of several export facilities in Queensland (see *Making the Gas Connection*, Issue 8), and high international LNG prices, led to the widespread view that domestic prices would rise rapidly once markets were linked.

CUAC explored the implications for Victorian households of such a gas price rise in the *Our Gas Challenge* report. (See Issue 10 for a summary.) However, since 2014, international oil and gas prices have steadily declined, taking some pressure off the domestic market.

International gas prices are usually linked to oil prices, as oil and gas have traditionally been extracted together. International oil prices have fallen since Q4/2014, strongly due to OPEC maintaining high oil production levels. Analysts interpret this as a price war against higher cost oil producers, such as those in the USA.

Regional international LNG spot prices (the Japan-Korea Marker, JKM) have roughly halved since September 2014, falling from ~\$15/GJ to ~\$7.50/GJ. The JKM is relevant because Japan and China are the historical buyers of Australian LNG projects, with Japan dominant.

This fall is partially due to falling oil prices, but also due to Asian consumers – who have been exposed to

higher prices for several years – shifting their energy consumption away from gas.

While the regional price of ~\$7.50/GJ is still higher than the \$3–4/GJ previously typical in eastern Australian wholesale markets, once transportation and conversion costs are accounted for the lure of LNG exports is no longer as strong.

Inexorable rise

The International Energy Agency estimates that 91% of Australian LNG under construction has been committed under long-term contracts. This means most gas producers aren't reliant on spot markets (and spot market prices), though they will still have an influence.

The medium-term trend toward higher Australian prices is therefore already 'locked in', though lower spot prices may slow it.

How far and how quickly Australian prices rise is unclear, and depends significantly on international factors (such as OPEC's price war and Asian demand) and how Queensland's coal seam gas and export markets develop.

CUAC has reviewed the recommendations of the *Our Gas Challenge* report and determined that most have retained their currency under changed gas market conditions. CUAC will continue to monitor gas markets and advocate for measures to help Victorian households deal with the expected rise in prices.



Domestic violence and utility debt

Advocacy update

CUAC has been active in advocating for key policy recommendations from the report *Helping Not Hindering: Uncovering Domestic Violence & Utility Debt* as a continuing strategic priority in 2015.

CUAC's advocacy has successfully prompted a dialogue on the barriers for victims of domestic violence and their ability to access essential services and manage utility debts with industry, regulators, ombudsman schemes, and community service providers.

CUAC's *Helping Not Hindering* report (see POWER+WATER Issue 11) outlines scenarios that are common to women who are victims of domestic violence at a point of crisis. While it focuses on the experiences of women, the scenarios and findings could be equally applied to men or circumstances of family violence that extend beyond a domestic family setting to extended family members.

The findings revealed that the current policies and practices of utility providers aimed at vulnerable populations do not specifically account for, and are therefore not sufficiently adapted to, victims of domestic violence. It was also clear some utility providers were pursuing victims for utility debts because they were the easiest recovery route.

While the report showed that there is scope for both energy retailers and water businesses to improve their practices, the findings were particularly alarming for energy retailers. Report feedback indicated that in some

circumstances, energy retailers required women to assume the utility debts that were in the name of their abusive partners (or 'transfer the debt'), which has potential to breach Australian Consumer Law (ACL).

Regulator responses

In response to CUAC's report recommendation, the Australian Consumer & Competition Commission (ACCC) wrote to the Energy Retailers Association of Australia in January 2015 to outline its concerns with transfer of debt issue and how this conduct has potential to contravene ACL. The ACCC also invited CUAC to submit case studies from financial counsellors and people who assist victims of domestic violence for further investigation.

In response to this request, CUAC made contact with research participants and its community networks to collect case studies of instances where the transfer of debt issue has occurred. These are now under investigation by the ACCC and we await a response.

CUAC met with the Australian Security & Investment Commission (ASIC) following a report recommendation that called for greater information provision for victims of domestic violence.

ASIC has launched practical tools on its MoneySmart website to promote economic and financial security for women, and has developed an e-learning module in partnership with Good Shepherd Microfinance.

ASIC has also included information and messaging around utility debts and economic abuse that are targeted for domestic violence victims on both the MoneySmart website and ASIC's e-learning module.



Helping Not Hindering's findings revealed that domestic violence victims, and the workers who assist them, experience great difficulty gaining access to hardship departments to receive the assistance they need. It also highlights accessibility barriers that could apply to anyone who is experiencing payment difficulty.

In addition to discussing the report's hardship-related findings with the Essential Services Commission (ESC) in 2014, CUAC submitted relevant report findings to the ESC's 2015 *Inquiry into the Financial Hardship Arrangements of Energy Retailers*.

Promoting best practice

In identifying best practices with respect to how to manage utility debts for women who are victims of domestic violence and hardship more generally, an overwhelming number of research participants noted Yarra Valley Water (YVW) as an industry leader. Several financial counsellors said that YVW's approach is flexible, adaptable, and able to respond to a variety of circumstances.

On this basis, CUAC has presented on the features of YVW's policies and approach to facilitate learning and discussions on best practice across different industries (e.g. the banking industry and telecommunications providers).

In a presentation to the Australian and New Zealand Ombudsman Association, CUAC was able to strategise methods to more effectively engage with victims of domestic violence who are at a point of crisis so that the varying schemes can more effectively respond to their needs.

CUAC has also presented the report's findings to Domestic Violence Victoria members, to the Water Services Association of Australia, and to community service providers. CUAC is in ongoing discussions

with community legal centres and services that are undertaking work on economic abuse more broadly to raise issues specific to domestic violence victims with utility debt.

Media attention has helped bring awareness to issues raised in the report, including a story in *The Age* that covered CUAC's report, the ACCC's action, and the overall experiences of financial counsellors assisting victims of domestic violence who are also victims of economic abuse. This article was shared among a range of domestic violence and women's service networks domestically and internationally.

In an attempt to reach the wide range of audiences that assist domestic violence victims in crisis, CUAC has written a number of newsletter articles and blog posts, including for peak body organisations for financial counsellors and emergency services. CUAC is pleased with the positive reception the report has received and its high number of downloads (>4,000).

As a major advocacy priority in 2015, CUAC will continue to advocate to regulators, government, and utility providers to improve policy and practice for victims of domestic violence, and ultimately encourage them to take an approach to policy that empowers victims of domestic violence to take control of their finances.

CUAC presented the findings of our research and the legal context of domestic violence and utility debt at the forum held by Kildonan. This was attended by the community and utility retail sectors.

CUAC has written to the Minister for the Prevention of Family Violence to bring these matters to her attention, and has made a submission to the Royal Commission into Domestic Violence. The Royal Commission devoted a day of hearings to financial abuse and empowerment, which CUAC attended.



CUAC Reference Group update

CUAC's Reference Group reconvened in April at the iconic Queen Victoria Women's Centre. The Reference Group plays an essential role in shaping CUAC's work program through the sharing of grass roots consumer feedback, research, and informing CUAC and our Board of emerging consumer issues that affect their constituencies.

CUAC's first Reference Group meeting for 2015 was attended by the Minister for Consumer Affairs, Gaming and Liquor Regulation, The Hon. Jane Garrett MP, and the Minister for Industry, Energy and Resources, The Hon. Lily D'Ambrosio MP.

As CUAC's sole member, Minister Garrett opened the meeting drawing attention to the important work that CUAC does to ensure fair access to essential services. Minister D'Ambrosio followed, outlining a range of commitments to policy reforms ranging from changes to fixed term energy contracts, greater enforcement powers for the Essential Services Commission, and addressing the needs of vulnerable consumers.

Following the Government views and scene setting, the Reference Group engaged in strategic reflection to identify four key energy consumer issues currently affecting their constituencies.

Affordability

Affordability is a primary concern amongst members of CUAC's Reference Group, who continue to witness the effects of rising utility costs on consumers. Of particular note is how increasing utility costs are affecting non-traditional hardship customers, such as

mortgagees and full time employees. Reference Group members were concerned that affordability issues would be exacerbated by the recent cuts to emergency relief funding and the lack of access to material relief for consumers.

Affordability continues to be a concern for aged pensioners, with many prioritising the payment of energy and water bills while foregoing heating and meals.

Retailer hardship practices

The Reference Group indicated that there is often an inconsistent application of hardship practices amongst energy retailers. A common issue is the lack of information being provided by retailers about the types of hardship assistance available.

Other members noted the poor treatment of those experiencing hardship, with many energy retailers compelling customers to see a financial counsellor before offering hardship assistance. This poor experience is compounded by the often long wait times for appointments with financial counsellors.

Reference Group members called for more early intervention strategies across the board, citing that by the time retailers identify and transfer a customer to their hardship program it is often too late to provide meaningful assistance.

Access to energy efficiency

Recent data suggest that households experiencing hardship have twice the energy consumption of other households. Members of the Reference Group called for policies to address this, in particular improving the thermal performance of the existing stock of public housing.



Increasing complexity

Many Reference Group members expressed concern at the increasing complexity facing consumers in the Victorian energy market. The result of this complexity is that many consumers struggle to navigate the system and become disengaged right at a time when the market relies on an informed and engaged consumer base.

The Reference Group identified that there is a split amongst consumers. Some are actively engaged in the energy market and able to take advantage of innovations in the market, whilst others are being left behind and are unable to participate and engage with these innovations. The Reference Group noted that it was these disengaged consumers that provided the bulk of margins for energy retailers.

The Reference Group felt that more one-on-one support would help overcome many of the issues currently faced by consumers, such as helping to break down market complexity; facilitating access to hardship; addressing affordability concerns; and providing energy efficiency support and advice.

CUAC would like to again thank the Reference Group for their valued participation and contributing their time and considerable expertise to help shape CUAC's work over the coming months.

At our next meeting, we look forward to welcoming Scope as the newest member to the CUAC Reference Group.

If you would like further information, please make contact with Simone Karmis on (03) 9639 7600 or simone.karmis@cuac.org.au.

A full list of CUAC Reference Group members can be found on www.cuac.org.au.

A profile of SCOPE

Scope is one of the largest not-for-profit providers of support services to people with a disability in Victoria. It supports more than 6,000 people with a disability to lead the life they choose, and works with more than 1,000 community organisations to help create welcoming and inclusive communities for people with a disability.

Scope's mission is to enable each individual to live as an equal and empowered citizen. It provides support to a wide range of people and has developed particular expertise around the needs of people with multiple and complex disabilities, including people who have a communication difficulty.

One of Scope's state-wide services is the Communication & Inclusion Resource Centre, providing information, advice, and resources specialising in communication difficulties.

The Communication & Inclusion Resource Centre's aim is to increase inclusion for people with a disability through building community awareness and activities that increase the involvement of people with complex needs in their local and broader communities.





EnergyInfoHub update

CUAC's EnergyInfoHub has been busy providing free training to the community sector on how to find better electricity deals.

The two hour "train the trainer" sessions show community workers how they can support people to save money on their bills using the Victorian Government's independent My Power Planner website – <http://mpp.switchon.vic.gov.au>.

St Vincent de Paul recently found that people have the potential to save significant amounts of money by selecting the right electricity offer. These savings can range up to \$600–\$800 per year by switching from the worst to the best electricity deal in a particular area.

This year, the EnergyInfoHub has provided 28 "train the trainer" sessions across the community worker network in Victoria. The sessions have focused on supporting community workers in disadvantaged areas, helping over 300 community workers to learn how to use My Power Planner to find cheaper electricity deals and save their clients money.

Feedback from the sessions has been extremely positive, with 70% of participants committing to use My Power Planner to support their communities.

CUAC will be working with the Department of Economic Development, Jobs, Transport and Resources, which is responsible for the My Power Planner website, to highlight the success stories resulting from community savings using the tool.

For more details about the free "train the trainer" sessions, please contact Karl Barratt on (03) 9639 7600 or karl.barratt@cuac.org.au.

NAIDOC Week

In July, CUAC attended the annual National Aboriginal and Islander Day Observance Committee (NAIDOC) week Whole of Government Event at the Fitzroy Town Hall.

NAIDOC week celebrates Aboriginal and Torres Strait Islander history, culture, and achievements, and recognises the contributions that Indigenous Australians make to society.

The theme for this year's NAIDOC Week celebration was, "We all Stand on Sacred Ground: Learn, Respect and Celebrate". The event was opened with a welcome to country by Wurundjeri Elder Auntie Joy Murphy, and included cultural dance and music performances.

CUAC, Yarra Valley Water, and City West Water used the opportunity to connect with attendees and provide them with a great selection of energy and water saving products and tips.

The bustling event was attended by Aboriginal community members, government, and local community agencies. CUAC attends NAIDOC week events annually as part of our strategic priority to create awareness and engagement with Victorian Aboriginal energy and water consumers.

In June, City West Water became the first Victorian water business to develop a Reconciliation Action Plan. This flowed on from CUAC's 2013 workshop to encourage and facilitate dialogue about establishing Reconciliation Action Plans to enhance water retailers' relationships with aboriginal communities in Victoria (see POWER+WATER Issue 8).



CUAC submissions, December 2014 – September 2015

CUAC made the following submissions between December 2014 – September 2015:

- Commonwealth Government – Competition Policy Review
- Energy Networks Association – Towards a National Approach to Electricity Network Tariff Reform
- Australian Energy Regulator – Draft AER (Retail) Exempt Selling Guideline
- Department of Economic Development, Jobs, Transport and Resources – Network Tariff Reform Issues Paper (confidential)
- Australian Energy Regulator – Regulating Innovative Energy Selling Business Models under the NERL Issues Paper
- Australian Energy Market Commission – 2015 Retail Competition Review Approach Paper
- Energy Market Reform Working Group – New Products and Services in the Electricity Market
- Australian Energy Market Operator – Metering Data Provision Procedures (joint submission); MDPP Consultation Paper (joint submission); MDPP Draft Report and Determination
- Essential Services Commission – Inquiry into the Financial Hardship Arrangements of Energy Retailers
- Australian Energy Market Commission – Draft Report on Optional Firm Access, Design, and Testing
- Australian Energy Regulator – Draft AER Retail Pricing Information Guidelines (and additional feedback)
- Victorian Government – Royal Commission into Domestic Violence
- Essential Services Commission – Review of Water Pricing Approach Consultation Paper (joint submission)
- Department of Environment, Land, Water & Planning – Better Apartments: A Discussion Paper
- Australian Energy Market Commission – National Electricity Amendment (Embedded Networks) Rule 2015
- Australian Energy Regulator – Victorian Electricity Distribution Pricing Review 2016–2020 (separate and joint submissions)
- Melbourne Water – 2016 Melbourne Water Price Review Consultation Paper (joint submission)
- Essential Services Commission – Modernising Victoria’s Energy Licence Framework Issues Paper
- Department of Economic Development, Jobs, Transport and Resources – Review of the General Exemption Order Issues Paper
- Consumer Affairs Victoria – Residential Tenancies Act Review Consultation Paper
- Australian Energy Market Commission – Aligning Network and Retail Tariff Structures for Small Customers, Draft Rule Determination
- Australian Energy Market Commission— Multiple Trading Relationships Rule 2015 Consultation Paper (joint submission)
- Essential Services Commission— Supporting Customers, Avoiding Labels Energy Hardship Inquiry Draft Report

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

CUAC news



CUAC welcomed Mercedes Lentz as new Executive Officer in March. Mercedes has worked extensively in the electricity, water, and government sectors where she has held strategic development and leadership roles. She brings a breadth and depth of experience having worked in New Zealand, Australia, Canada, and the USA, and has worked passionately with communities and consumers both in the public and private sectors.

New to CUAC's Board is Petrina Dorrington, former Executive Director and Board member of Kids Under Cover. Petrina has extensive experience in not-for-profit leadership roles, having held several volunteer Board positions and currently serving on the Board of the Royal Children's Hospital. We warmly welcome Petrina.



We welcome CUAC's newest member, Simone Karmis. Simone is a lawyer with a strong interest in the rights of vulnerable and disadvantaged people. Simone has a Bachelor of Laws and Bachelor of Arts from La Trobe University and joined CUAC from Norton Rose Fulbright in May.

Fellow Research and Policy Advocate Martin Jones leaves CUAC in October to join the Victorian Department of Economic Development, Jobs, Transport and Resources' energy efficiency team. Martin did outstanding work and economic analysis for CUAC, on gas, network tariff reform, and most recently the ECCC, and we will miss him. We wish Martin well for the future.



CUAC's Board farewells Steven Peuschel OAM, Deputy Chair, who resigned his position in April due to other commitments. Steven joined CUAC's Board in 2013, bringing valuable insights from his work with people with disabilities and culturally and linguistically diverse communities. We thank Steven and wish him well for the future.

Finally, as many readers will know, Research and Policy Advocate Loren Days left CUAC in April to join the Victorian Equal Opportunity and Human Rights Commission. Loren made a tremendous contribution during her time with CUAC, particularly with her work on domestic violence and utility debt, consumer engagement, and the CUAC Regulatory Review. We wish Loren all the best.