

# POWER+WATER

NEWSLETTER OF THE CONSUMER UTILITIES ADVOCACY CENTRE

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## Exploring fairness

**Our latest research  
gets underway**

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**utilities issues  
on the family  
violence agenda**

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**the long road  
to network  
tariff reform**

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**energy literacy  
pilot hits  
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**Melbourne  
Water pricing  
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imminent**

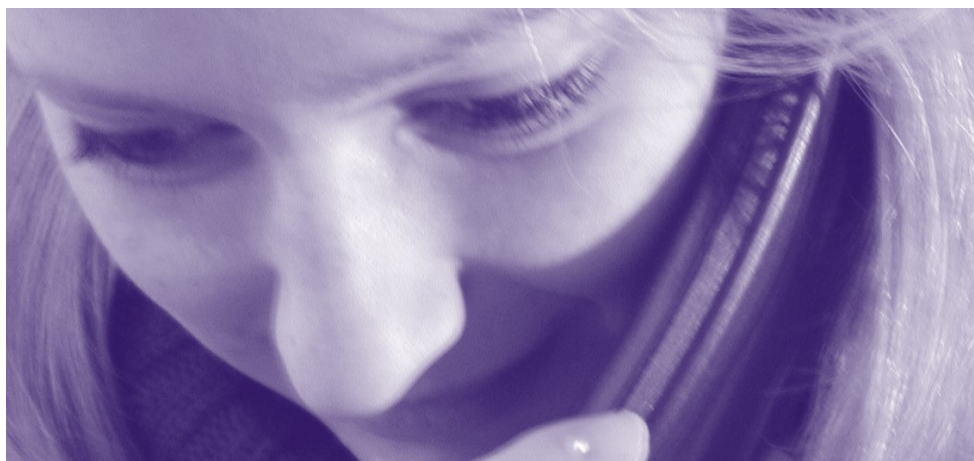
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The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences, and needs of energy and water consumers.

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## Principles for a fair consumer experience

### Our latest research project gets underway

Work is well underway on CUAC's latest research project, *Principles for a Fair Consumer Experience*. This exciting new research sees us working with consumers and industry to explore the meaning of "fair" for energy and water customers.

By developing an understanding of fairness that is practically grounded, our aim is to highlight and spread best practice to ensure that all Victorian customers, regardless of socioeconomic background, enjoy fair access to water and power.

#### Spending time at the coalface

To gather data for the project, CUAC has spent time in the businesses that serve the majority of Victoria's energy and water customers: Origin Energy, AGL Energy, EnergyAustralia, South East Water, City West Water and Yarra Valley Water.

We've visited the frontline call centres as well as teams across sales, credit, hardship and complaints, speaking with staff, looking at business policies and processes, and listening in on calls with customers.

In total, we've conducted around 90 interviews with staff, team leaders and senior management, gathering information about business policies, procedures and practices, hearing their views on what 'fairness' means, and learning about their business challenges. In in-depth interviews with General Managers, we've explored understandings of fairness and how fairness is incorporated into

strategic planning, decision-making and product design.

#### The consumer voice

Throughout the project, we've also met regularly with a project reference group made up of representatives from the Consumer Action Law Centre, Kildonan UnitingCare and the Victorian Council of Social Service, who have contributed consumer views at every stage of the project. In addition, a focus group of 15 consumers, facilitated by Kildonan UnitingCare, has shared their views on what fairness is, what matters to them in their dealings with retailers, and the concerns they have about how retailers work with customers.

#### What's next

Drawing on our retailer observations, consumer views and a review of the international literature, our final report on the project will tease out what fairness means in the energy and water context, identifying the broad principles that underpin fair practices. In late 2016, we'll also be convening a roundtable for stakeholders to discuss the project's findings and develop a strategy to encourage wider adoption of good practices across both the energy and water industries.

For more information, contact Simone Karmis on (03) 9639 7600 or [simone.karmis@cuac.org.au](mailto:simone.karmis@cuac.org.au).





## Gippsland consumers take control a CUAC and AusNet Services energy literacy pilot project

In March, we brought our energy literacy work to the Gippsland region, visiting four towns to deliver a series of community workshops. Our message was that with the right knowledge, it's easy to take control of your energy bills and make big savings.

### A new energy literacy pilot

Together with AusNet Services, our partner on the pilot project, we held practical workshops in the towns of Morwell, Churchill, Orbost and Cann River. Participants, who were recruited through partnerships with local community agencies, spent three hours learning the ins and outs of electricity.

The major focus was on the three simple ways to save: choosing a better deal using Victorian Energy Compare, receiving any concession entitlements and saving energy around the home. With a focus on practical tips, the sessions showed participants how to read their bills, work out appliance costs and understand electricity prices.

### The response

When we asked the participants for feedback, responses were overwhelmingly positive. Nine out of ten said the workshops were very or extremely useful, helping them to understand their electricity bills and boosting their confidence in their ability to save on power. More than 80 per cent said they were very or

extremely likely not only to use Victorian Energy Compare themselves, but also to recommend it to others.

To find out whether these positive intentions translated into action, this month we'll be making follow-up phone calls, asking the participants what changes they made after the workshops. We'll also back this up with data, analysing the participants' annual electricity consumption to see whether our energy-saving tips had an effect on their usage.

### What the participants had to say

"Great idea, especially for older people."

"We were shown some really easy ways to use less energy. I look at things differently now and I'm confident this will help reduce the cost of my bills."

"Extremely well-run, relevant to all levels of understanding... Please continue."

"I was very impressed with the way Karl explained the use of power."

"Excellent information, very useful."



## Victorian Energy Compare launches the state's new and improved energy comparison website

In October last year, the Victorian Government relaunched its independent price comparison website for energy, Victorian Energy Compare. The new and improved site is easier to use and now includes gas and solar alongside electricity offers. CUAC organised a community launch at the Cairnlea Community Hub.

### Consumer workshops

Kicking off the new site, we put together a special consumer workshop featuring the Minister for Energy and Resources, the Hon. Lily D'Ambrosio MP. Combined, the eight families who participated in the workshop stood to save more than \$4,000 by switching to the cheapest electricity and gas offers.

To help get the word out in regional areas, we also organised Ministerial launches in Ballarat and Wodonga.

### Why shop around?

If you haven't shopped around for a better energy offer recently, chances are you're paying too much. A recent report from the regulator, the Essential Services Commission, revealed that 228,000 Victorian households – around one in ten – are still on a 'standing offer', a default contract that typically

costs more than what customers pay when they shop around.

While the benefits of switching may be biggest for consumers currently on standing offers, the vast majority of consumers can save money by using Victorian Energy Compare to compare and switch. The Victorian Government analysed the potential savings and found that 91% of people who compared their current offer with deals on the site could save money. For half of households, potential savings of more than \$330 were available.

### Training for community workers

CUAC's EnergyInfoHub offers free training for community workers who want to learn to use Victorian Energy Compare to help clients save on their energy bills. To date, we've trained over 430 workers across the state.

For more information or to book a workshop, call Karl Barratt on 0475 760 372 or email [karl.barratt@cuac.org.au](mailto:karl.barratt@cuac.org.au).

Visit Victorian Energy Compare at:

<https://compare.switchon.vic.gov.au>





## Cost-reflective electricity pricing travelling the long road to reform

For some time, we've been reporting on efforts to implement cost-reflective pricing. It's a reform that should split network costs more fairly among consumers and drive down prices in the long-term. The new electricity tariff component is now set to be introduced in Victoria – but the complexity and risks of the change mean a long and winding road to

proposal, consumers who opt-in will see part of their fixed costs recouped via a charge based on their highest level of instantaneous usage – that is, their highest half-hourly usage between 3.00 pm and 9.00 pm on weekdays. The majority of distributors proposed that consumers be automatically assigned to this new tariff, with the option to “opt-out” should they wish to. This tariff window isn't strictly cost-reflective for each distributor – but it does have the key benefit of simplicity for consumers. And since consumers' capacity to understand and respond to price signals is central to the reform, consumer groups saw merit in this approach.

### The start of the journey

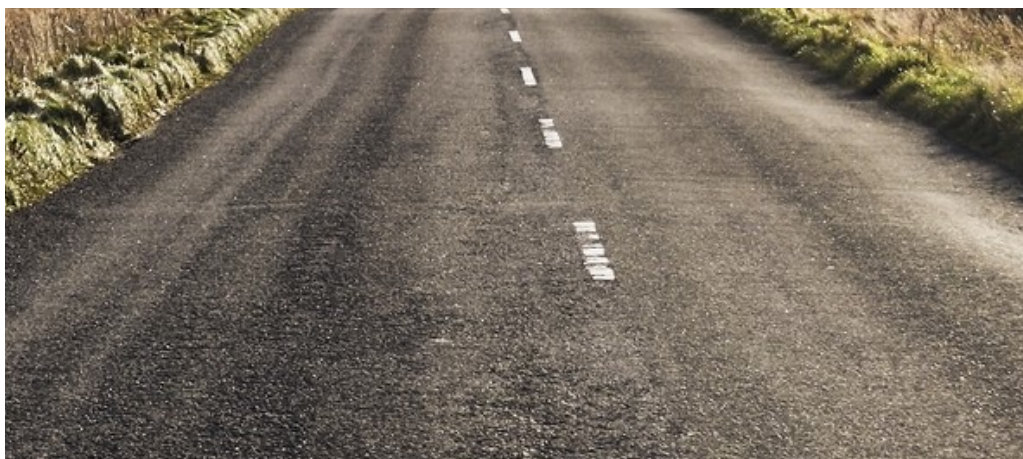
In 2014, the Australian Energy Market Commission made a determination requiring that electricity distribution businesses (distributors) develop new tariffs that reflect the efficient costs of providing network services to each consumer. The new tariffs will see customers charged higher prices for using more electricity during periods of “peak demand”, and charged lower prices when using electricity outside these periods. Because peak demand is a key driver of network investment, these tariffs are intended to better reflect each consumer's actual cost to the network.

The following year, Victoria's distributors submitted their new tariff proposals to the Australian Energy Regulator (AER). After conversations with stakeholder groups, the distributors agreed to a single cost-reflective price window for Victoria. Under the

### Bumps in the road

Just before Christmas, however, the Victorian Government legislated that the tariffs would have to be voluntary during the transition period through to the end of 2020. Not only will consumers have a choice as to whether they take up a cost-reflective tariff, they must make a positive choice to opt-in, rather than being assigned to the tariff by default with the choice to opt-out.

The AER subsequently sent the distributors back to the drawing board to ensure their proposals were compliant with the new legislation. In their revised tariff proposals, all the distributors have proposed to introduce the full cost reflective component immediately on an opt-in basis, rather than gradually



introducing the tariff over a number of years as initially proposed.

This choice to opt-in has been a major point of contention: there are doubts about how many consumers will take up the new opt-in tariff option, especially in light of low engagement with the flexible or 'time-of-use' pricing introduced in Victoria in 2014. In a report on the possible implications of new cost-reflective tariffs, for example, the CSIRO predicted initial voluntary uptake of just 5 to 10 per cent of households. Other sources have predicted an even lower uptake.

### **An uncertain future**

The AER handed down its preliminary decision at the end of May, largely accepting the 'distributors' proposal, but raising questions about some of the details. Most distributors have indicated that if the new tariff is approved, they will introduce it from the start of 2017, with AusNet Services delaying their introduction until 2018.

Still, much of the consumer response – and therefore the effectiveness of the reform as a whole – is likely to hinge on how retailers package up the new network tariffs and sell them on to consumers in a retail offer. The first retailers off the blocks have put forward retail plans that give customers month-to-month certainty and further simplify the new tariffs. For households, this may be good news, but on the other hand, the simplified retail offerings may drown out the price signal that is meant to reduce peak consumption.

Whatever the outcome, CUAC will be watching closely and advocating in the consumer interest each step of the way.

### **Cost-reflective tariffs explained**

Cost-reflective network tariffs are intended to address the problem of peak demand. Electricity networks are built to ensure they can deliver electricity to businesses and homes during periods of high demand. These peaks usually occur during hot summer afternoons when businesses are operating and many homes run energy intensive appliances such as air conditioners. The extra network capacity built to cope with these peak demand events sits unused the rest of the time, but still needs to be paid for. If peak demand is reduced, further network investment can be avoided which reduces bills for consumers.

Cost-reflective tariffs contribute to this goal by raising prices during peak periods, which encourages consumers to use less power. As well as sending a price signal to change behaviour, in principle, it's a fairer way of charging, since those who impose larger costs on the system – for example, by running air-conditioners on a very hot day – pay their fair share.

With the introduction of cost-reflective pricing, energy usage will be measured and priced in two ways. First, a consumer pays for the units of energy used – just as most households are currently billed. Second, they pay a charge based on their highest use at any one point, referred to as 'peak usage' or 'peak demand'.





## Melbourne Water Price Review

### setting the scene for 2016 to 2021

The Essential Services Commission has released its final decision on Melbourne Water's proposal for wholesale water prices and service outcomes over the coming five years. The decision will have a direct impact for end consumers when retailers pass on the price changes through customer bills.

#### The final decision

The Essential Service Commission's determination on Melbourne Water's price proposals are mostly good news for consumers. The metropolitan water retailers estimate that residential consumers' bills will fall by \$15 in 2016/17 (in nominal terms) - though this reduction excludes the desalination water order. The ESC estimates that bills will fall slightly throughout the remaining years of the five year period. Residential customers' waterways and drainage charges will remain flat across the period, indexed to inflation.

For the first time, the Victorian Government has ordered water from the Victorian Desalination Plant, a cost that will also be passed on through consumers' water bills.

In its initial proposal, Melbourne Water said that it planned to capitalise a portion of the Desalination Plant operating expenditure – that is, treat some of these operating costs as capital expenses for the purposes of pricing. This approach has the effect of reducing prices for today's end consumers. It's a

move that CUAC supported in our submissions to the review, in line with the principles of 'user pays' and intergenerational equity – the fair division of costs among current and future users.

In its final determination, the ESC accepted Melbourne Water's revised proposal to increase the capitalisation amount from \$20 to \$30 million per year, a relatively small change, but one that we support.

#### Involving consumers

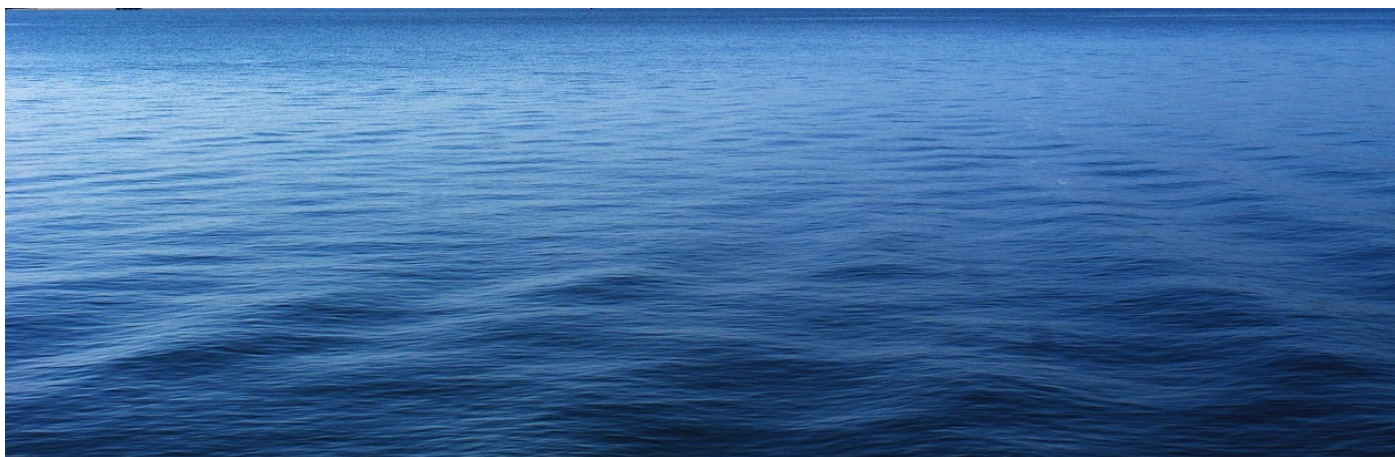
During the course of the pricing review, Melbourne Water made a significant effort to engage with both consumer advocates and customers themselves. CUAC had input into the design and delivery of a series of deliberative forums that Melbourne Water held to test some of its ideas. These forums considered how the costs of the Desalination Plant might be spread, as well as options for changing how non-residential customers are charged for waterways and drainage.

There's always room for improvement, but these processes were a step in the right direction for price reset consultation processes and outcomes.

To read more about the Melbourne Water Price Review, visit:

<http://www.esc.vic.gov.au/Water/Water-Price-Review-2016-Melbourne-Water>





## Water for Victoria

### a new long-term vision for the state's water

*Water for Victoria*, the state government's new long-term vision for water planning and management, is about to be finalised. CUAC has been involved in the consultation process and supports many of the proposed priorities and initiatives.

Earlier this year, the Victorian Government released its *Water for Victoria* discussion paper, setting out the proposed features of its plan and kicking off a community consultation process.

#### **The *Water for Victoria* proposals**

The proposed plan takes a long-term view of the challenges facing the state's water supply, among them climate change, population growth and changing community expectations. It suggests new initiatives to plan for the impacts of climate change on the water system and to mitigate climate change through reduced water sector emissions.

To meet a projected shortfall between water supply and demand, the plan canvasses stormwater, water recycling and demand management initiatives, including the re-introduction of Target 155 and the Schools Water Efficiency Program.

In our submission, CUAC supported this renewed demand management emphasis. However, we noted that in re-instating these programs, government would need to cut through community confusion caused by a period of inconsistent messaging about water conservation.

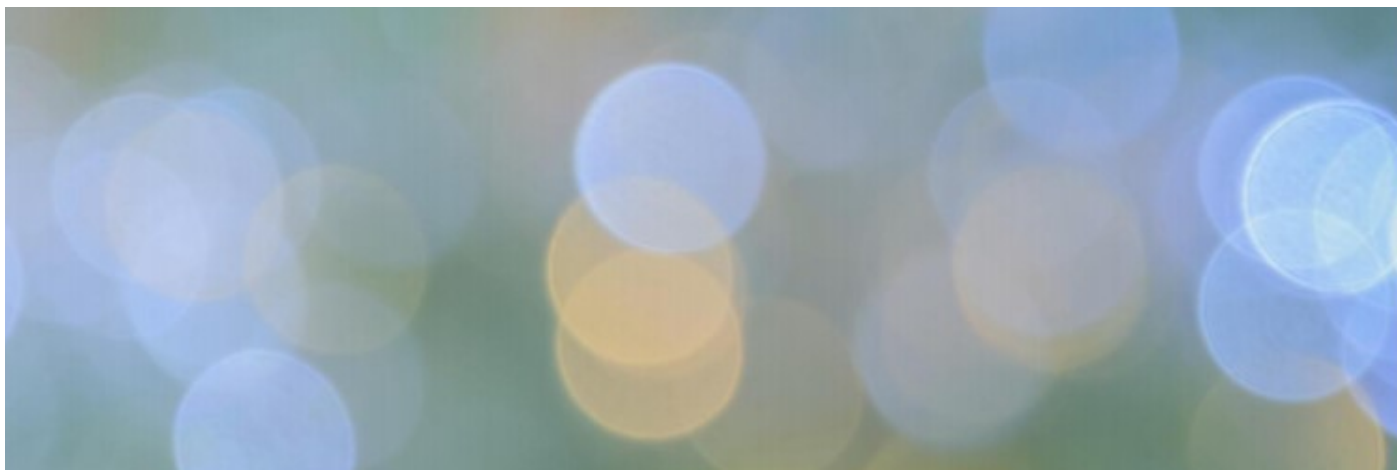
The plan also proposes system improvements, such as finding new ways to connect separate water markets in an integrated grid, and developing better metrics to measure and improve performance. CUAC acknowledges that the current metrics are limited and supports a more comprehensive and transparent reporting framework.

#### **Recognising the Aboriginal connection to land & water**

In its discussion paper, the Victorian Government acknowledged that Aboriginal people have a cultural connection to the land and water – and that this special relationship has not been matched with opportunities for involvement in decisions about water planning and management.

Over a number of years, CUAC has worked with Aboriginal consumers and the water industry to highlight some of these issues, so we were pleased to see them being given the attention and emphasis they deserve. In our submission, we applauded the government for including 'recognising and managing for Aboriginal values' as one of nine focus areas in the plan. We also suggested some refinements to the government's proposed approach to engaging with the Aboriginal community.

Submissions on the discussion paper have now closed. The final *Water for Victoria* plan is expected in mid-2016.



## Family violence Royal Commission utilities find a place on the agenda

On March 29, after more than 1,000 submissions, almost 50 consultation sessions and a series of public hearings, the Royal Commission into Family Violence delivered its findings to Parliament. The Commission's hefty report recognised economic abuse as a form of family violence and gave special attention to how utility providers can assist survivors in the aftermath of abuse.

### The utilities link

Utilities are unlikely to be top of mind for a woman escaping family violence. Nevertheless, as shown in CUAC's August 2014 research report, *Helping not Hindering: Uncovering Domestic Violence and Utility Debt*, utility providers have the power to help or hinder as a survivor rebuilds their life. The way a utility responds to a customer experiencing family violence can either exacerbate economic stress, encouraging a return to an abusive partner, or help to re-establish them independently as a paying utility customer.

Recognising this link, the Royal Commission devoted some of its report to utility issues. Of the Commission's comprehensive 227 recommendations, five tackled utility issues, suggesting improvements to how energy, water and telecommunications companies deal with family violence survivors.

### Access to hardship programs

The Commission recommended that family violence be listed as a specific eligibility criterion for access to hardship programs, and that regulators and government amend the relevant codes to make this a requirement upon retailers.

If implemented, this recommendation should make it easier for survivors of family violence to access hardship provisions. This easy access is extremely important for women who, our research found, are often solely pursued for debts incurred by their abusive partner both during and after the relationship.

### Training staff

Another important recommendation – one that we argued for in our submission to the Commission – is that energy and water retailers be required to provide comprehensive and ongoing training to their customer service staff, helping them to identify customers experiencing family violence and financial hardship.

We applaud the Commission's recommendations, which are in our submission. Over the coming year, we hope to see government, regulators and utilities working to implement the Commission's recommendations.



## **CUAC news—Staff changes and new committees**

In November, CUAC welcomed Ben Martin Hobbs in the Role of Research and Policy Advocate. Ben came to CUAC from the University of Melbourne, where he worked closely with the Vice-Chancellor and senior chancellery staff on communication and research projects. Ben's current work areas include the electricity and gas network revenue resets, cost-reflective tariff reforms and water pricing and policy.

In May, we farewelled our longest-standing member of staff, Deanna Foong. Deanna made an incredible contribution over her seven years at CUAC, authoring dozens of policy submissions that helped to shape the regulatory frameworks at the national and state levels, and leading CUAC's groundbreaking 2012 research on the consumer experience in embedded networks. Deanna left CUAC to take up a new role at the Environmental Protection Authority. We wish her all the best.

CUAC director Petrina Dorrington is currently in the role of Acting Executive Director. Recruitment for a new Executive Officer will commence in the near future.

CUAC has recently joined a few new committees, contributing a consumer voice to the:

- AusNet Services Consultative Committee
- Australian Gas Network Victoria/Albury Reference Group
- Gas Access Agreement Review Reference Group for United Energy and Multinet Gas.

## **In brief—ESC Hardship Review**

In February last year, the Minister for Energy and Resources launched a review of retailers' hardship policies and practices, to be undertaken by the ESC.

CUAC has worked in partnership with other consumer and community organisations to develop joint responses to the review. Our research, *CUAC Regulatory Review*, informed our submission to both of the ESC's papers. We were accepted into the ESC's three technical working groups on developing payment plan guidelines; amending the Energy Retail Code to accommodate the revised hardship framework; and addressing energy management. Together with other consumer advocates, we helped to substantially enhance consumer interests in the framework.

## **Submissions: November 2015—June 2016**

- DELWP – Water for Victoria: Discussion Paper (joint submission)
- ESC – Price Review 2016: Melbourne Water Draft Decision (joint submission)
- AER – Sustainable Payment Plans: A Framework for Assessing Customers' Capacity to Pay
- CAV – Residential Tenancies Act Review: Issues Paper on Rent and Other Charges
- AEMC – East Coast Wholesale Gas Market and Pipeline Framework Review (joint submission)
- ESC – Price Review 2016: Melbourne Water (joint submission)
- AER and DEDJTR – Consumer Outcomes and Principles for Cost-Reflective Network Pricing
- AER – Amendments to the Retail Exempt Selling Guideline 4.0 (joint submission)
- DEDJTR – Ceiling Insulation in the Victorian Energy Efficiency Target Scheme (joint submission)
- AER – Retail Exempt Selling Guideline (joint submission)
- AEMC - Improving Customer Transfers and Using Estimated Meter Reads (Rule Changes)
- AER - Victorian Cost Reflective Tariff Structures (joint submission)