



Raising the bar

a new hardship GSL measure for water businesses

Plus:

**ESC Chair
signals high
expectations for
water
businesses**

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control in the
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Review**

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**Electric vehicle
trial gets
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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.



Raising the bar

A new hardship GSL measure for water businesses

Responding to advocacy from CUAC and other consumer groups, the Victorian regulator has introduced a hardship-related Guaranteed Service Level measure. This should help ensure that water businesses put effort into contacting customers and offering hardship assistance before restricting or taking legal action over unpaid bills.

The 2009 Metropolitan Melbourne Water Price Review saw the Essential Services Commission (ESC) approve substantial water price increases for Melbourne consumers over the period to 2013. At that time, CUAC along with other consumer groups argued strongly that as prices increased, additional safety nets should be put in place to protect customers who are experiencing difficulty in paying their water bills.

In response, the ESC has consulted on the development of a hardship-related Guaranteed Service Level (GSL) measure. The measure, now being introduced, aims to ensure that restrictions and legal action are not used by businesses as a way of inducing customer contact in place of more appropriate customer service-oriented approaches.

Hardship GSL

Under the new scheme, a GSL payment of \$300 will be made to a customer where a water business restricts water supply or takes legal action against a residential customer without first making 'reasonable endeavours' to contact the customer and provide information about hardship assistance. The 'reasonable endeavours' are defined by the ESC and set out in a checklist. They are:

1. bill issued
2. reminder notice issued
3. warning notice issued
4. two attempts at personal contact by phone on two separate weekdays (or letter sent by registered mail if no phone number available)
5. one attempt at a personal visit with a customer

Water businesses' must be able to provide specified internal records showing that these steps have been followed.

Coverage

In our submission, CUAC argued for the GSL to be immediately implemented by urban and regional-urban water businesses across Victoria. We pointed out the higher prices faced by consumers outside Melbourne, as well as the higher levels of socio-economic disadvantage and the frequently poorer



performance of non-metropolitan water businesses in relation to hardship issues.

CUAC is disappointed that under the ESC's final decision, the GSL measure will apply initially only to the metropolitan businesses and to those regional urban businesses with the highest rates of restriction and legal action in 2008/09. Coverage will then be extended to all urban water businesses after one year.

Other changes

In another positive move, the ESC will also change the Customer Service Code to raise from \$120 to \$200 the debt threshold below which water businesses cannot begin legal action or restrict supply over non-payment, a change supported by CUAC. Responding to consumer group suggestions, the ESC also committed to periodic review of this threshold during price reviews.

CUAC sees the introduction of this GSL as an important step forward. Past experience with GSL and related schemes (such as the Wrongful Disconnection Payment in the electricity sector) has demonstrated that such schemes are an effective means of encouraging good performance. CUAC is therefore very pleased to see the introduction of a GSL measure linked to the important issue of hardship.

We will follow the implementation of the hardship-related GSL in 2010 and its broader roll-out next year. CUAC will also continue to work with the ESC on other water hardship matters and advocate for further improvements to water businesses' hardship policies and practices.

Guaranteed Service Levels explained

Under a guaranteed service level (GSL) scheme, a customer who receives specified types of poor service is entitled to an automatic payment or rebate from their water business. Examples of poor service that may attract a rebate include sewage spills not contained within four hours or more than five unplanned water supply interruptions in a year.

As well as providing customer compensation for poor service, GSL schemes are intended to provide a financial incentive for businesses to focus on high-quality, reliable services.

Those businesses that choose to implement a GSL scheme are required to have the scheme approved by the ESC, but water businesses are not required to have a scheme. Currently, seven Victorian water businesses (four regional urban and the three metropolitan businesses) have a GSL scheme in place.

Existing schemes vary in their comprehensiveness. For example, the Yarra Valley Water GSL scheme includes 10 'approved service level obligations' which attract rebates if not met. In contrast, Wannon Water's GSL scheme is less extensive, with only two approved service level obligations. Payment amounts also vary across businesses and according to the seriousness of the issue.

Approved service level obligations and GSL payment amounts for those businesses with GSL schemes are detailed in the ESC Customer Service Code and in each business' Customer Charter.



Electric vehicle trial underway

On 6 October, Premier John Brumby launched Victoria's Electric Vehicle trial. The five year trial of a fleet of electric vehicles and associated infrastructure will assess the vehicles' economic, environmental and social impacts. CUAC is on the advisory committee for the trial and will be representing the interests of Victorian energy consumers as the trial proceeds.

Electric vehicles are battery powered cars that are charged when not in use. The first mass-market electric vehicles arrived in Victoria in August 2010, and most automotive companies are in the process of developing electric models.

Electric vehicles are a potentially important option for lowering our dependence on oil as a fuel for transportation and, with appropriate energy policies, reducing the greenhouse gas emissions from transportation. With a transition to cleaner generations technologies such as renewables and gas, electric cars could reduce the emission intensity of car travel.

The Victorian electric vehicle trial will provide 180 Victorian households the use of an electric vehicle for three months, with insurance costs, a charging point and the cost of the vehicle covered. While users will

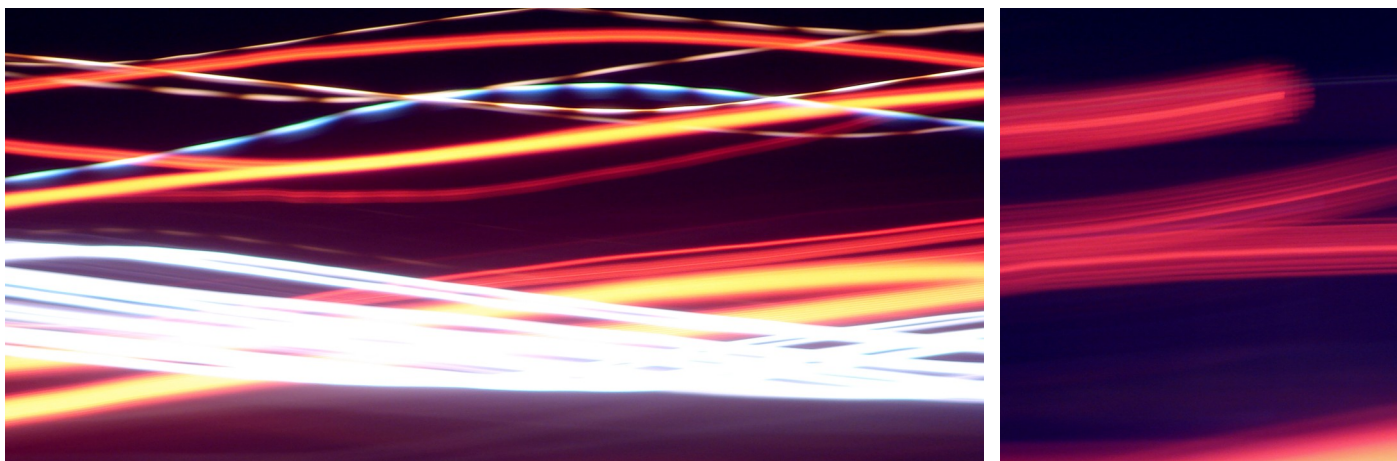
pay for the electricity needed to charge the car, these costs should be lower than current motor vehicle fuel costs. Electricity for the trial is expected to be sourced from renewable sources.

The trial will look at how, where, why and when participants use electric vehicles. It will assess the viability of electric vehicles on Victorian roads alongside issues such as community awareness/ acceptance of the vehicles, infrastructure requirements, costs and benefits, and barriers to the use of electric vehicles.

Of particular interest to CUAC are the implications of electric vehicles for electricity networks and prices. Widespread use of electric vehicles will lead to changes in the demand and supply of electricity. It is important that any pressures or impacts on electricity networks and generation are well managed to ensure that they are in the interests of the consumer.

Responding to the trial launch, CUAC has acknowledged that Victorian consumers will benefit from a trial that considers consumer impacts, including network design, price, environment, safety, communications and protections. "CUAC's participation on the advisory group is a welcome opportunity for consumers to influence the design of a new industry", said Jo Benvenuti, CUAC's Executive Officer.

To find out more or to participate in the trial, go to www.transport.vic.gov.au



National energy update:

advocating for low-income and vulnerable consumers

At the national level, work continues apace on the development of regulation flowing from the National Energy Customer Framework (NECF). As this work proceeds, CUAC has been advocating vigorously on behalf of all Victorian consumers. Here we profile two areas of advocacy that have particular relevance for vulnerable and low-income consumers: exempt networks and hardship program performance indicators.

Exempt networks

Most Victorian energy consumers buy their energy directly from a retailer. In some situations, however, the owner or manager of a multi-tenanted property purchases energy from a retailer and then on-sells it to end customers. This can occur, for example, in caravan parks, shopping centres, industrial parks and apartment blocks. These mini distribution networks are referred to as 'embedded networks'.

Because of their smaller size, embedded networks are treated differently to retailers in legislation and regulation. Under the proposed National Energy Retail Law, anyone selling energy will need either a 'retailer authorisation' or an exemption from authorisation requirements. The Australian Energy Regulator (AER) will have the power to issue

individual exemptions, and is currently developing a retail exemption guideline. Sellers with exemptions (including embedded network operators), will have fewer obligations than authorised retailers. They will not be required to comply with the Energy Retail Code and customers of exempt networks will not be afforded the same rights and protections as other consumers.

The regulation of exempt networks is a complex business. Developing regulations that take into account the vast differences between, say, a rooming house and an industrial park is difficult. Adding to the difficulty is the surprising lack of data and resulting uncertainty about the number of exempt networks in existence, how many customers they serve, and the experiences of these customers.

As the only Victorian consumer organisation responding to the AER issues paper on retail exemptions, CUAC acknowledged the complexity of regulating embedded networks while arguing strongly for appropriate consumer protections. CUAC sees exemptions as appropriate where the costs of full compliance with the NECF outweigh benefits to the consumer. Nevertheless, we argue that exemptions should only be granted subject to adequate consumer protections.

Consumer protections are particularly important in these situations for a number of reasons. Firstly,



customers in embedded networks are generally unable to access the competitive retail market, or else face significant barriers to doing so. Being unable to choose another energy provider, they can be exposed to monopolistic behaviour. Secondly, embedded network customers in caravan parks and rooming houses are often on low incomes and may be more vulnerable to any unscrupulous behaviour on the part of a network operator.

For these reasons, CUAC is advocating for adequate consumer protections on key matters including pricing, connection, disconnection and reconnection, flexible payment plans, basic hardship assistance and access to redress via an external dispute resolution body. We are also pushing for effective regulatory oversight of embedded network operations to ensure that operators comply with customer protection requirements.

Measuring retailers' hardship program performance

Under the proposed National Energy Retail Law, the AER will monitor and report on retailers' performance on customer hardship assistance. In preparation for this, the AER is developing a set of National Hardship Program Performance Indicators.

The AER has proposed a set of indicators that have formed the basis for initial consultation. These proposed indicators include:

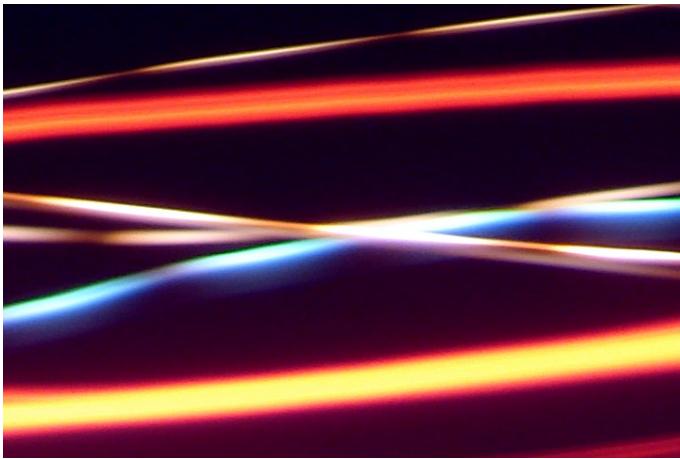
- number of customers entering, exiting and on the hardship program;
- average debt upon hardship program entry and exit;

- number of customers denied entry to the hardship program and exited for non-compliance;
- number of customers disconnected who were on a hardship program within the previous 12 (or 24) months, and those subsequently reconnected within seven (or 10) days; and
- number of hardship program customers receiving notification of available grants & concessions; referral to a financial counsellor; special payment arrangements; and energy efficiency advice and assistance.

CUAC believes that the proposed indicators together will provide a useful picture of retailer performance providing assistance to customers experiencing hardship. Reporting on these indicators will provide government and consumers with information on the operation and success of programs, and increase transparency and accountability. It also provides feedback that retailers may use to identify and improve any areas of poor performance.

While the initial set of proposed indicators needs further fine-tuning, CUAC has concerns that the number and comprehensiveness of the indicators may be reduced. In stakeholder forums, some retailers have argued that the proposed indicators do not reflect directly on retailer performance.

For example, some retailers have argued against the collection and reporting of data on the level of debt upon entry to the hardship program. CUAC recognises that this figure varies according to



Smart meter review

The roll-out of smart meters has wide-reaching implications, necessitating regulatory changes. The Essential Services Commission (ESC) has been reviewing its consumer protection and energy market regulations so that they are appropriate for the smart meter environment. CUAC has been an active participant in ESC consultations.

One issue addressed by the review and of strong interest to consumer groups is *supply capacity control* (SCC). SCC works by turning off household electricity when the customer's consumption exceeds a certain amount. It is different from *direct load control*, which allows individual appliances to be switched on and off at certain times.

During emergencies, distributors may use SCC to avoid outages—this is an appropriate use of SCC. CUAC is concerned, though, about the use of SCC for credit management. In CUAC's view, using SCC for credit management is punitive and unacceptable, undermining universal access to an essential service. Instead, customers with payment difficulties should be helped to remain on supply through effective hardship programs.

CUAC is pleased to see that following its review, the ESC has prohibited the use of supply capacity control products for all customers, not just those participating in a retailer's hardship program. However, we remain concerned that this prohibition expires on 31 December 2013. A step in the right direction would be for the ESC to remove the time frame and prohibit the use of supply capacity control indefinitely.

personal circumstances. At the same time, however, debt level upon entry to a hardship program is also related to retailers' processes for indentifying and offering assistance to struggling customers. For instance, if a large proportion of customers enter the program with debt of more than \$1000, this indicates that the retailer's processes for identifying customers experiencing hardship need improvement.

CUAC believes that a hardship program that produces sustainable outcomes can be considered more effective than one which only alleviates difficulty in the short term. Hence, we support the inclusion of indicators that look at how customers fare after leaving a hardship program.

One such set of indicators, which have been resisted strongly by retailers, are the disconnection and reconnection rates of customers after they have left a hardship program. We acknowledge that the issues here are complex and data would need to be interpreted with care. Nonetheless, CUAC believes that hardship programs should not only contribute to reduced arrears, but should help to ensure that the customer has the capacity to pay for subsequent consumption without accumulating further debt and risking disconnection.

Retailers can contribute to this outcome by offering incentive schemes (where a retailer matches payments made by customer), energy audits, appliance replacements and referrals to appropriate government grants.

CUAC will continue its advocacy to see that indicators are developed that will provide useful information for consumers and government while providing an added incentive for retailers to give effective help to customers experiencing hardship.



Seeking support for utilities research or advocacy?

Applications for CUAC Executive Officer's Grants are open year-round, with grants of up to \$8,000 available for research or capacity-building projects on consumer utilities issues.

CUAC knows that consumer utilities issues impact on the work of a range of organisations in diverse areas such as settlement support, housing, emergency relief and environment. While utilities issues are not the core business of these organisations, they often have important knowledge and perspectives to add. CUAC's Executive Officer's Grants Program supports such organisations to contribute their valuable perspectives and build capacity in the utilities area.

About the program

Through the Executive Officer's Grants Program, CUAC provides small grants for research or capacity-building projects that help consumers to influence policy and regulatory debates or improve consumer knowledge and expertise on utilities issues.

Applications are not onerous and are open to all.

Previous projects

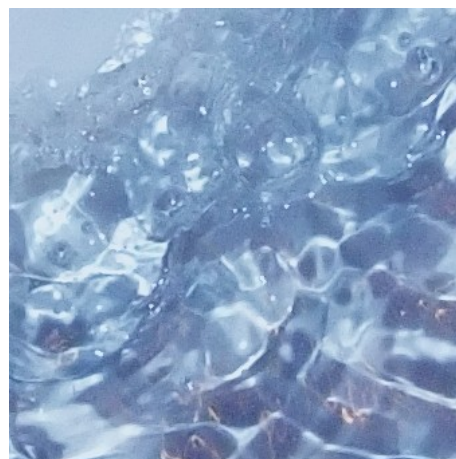
Recent projects have covered a range of topics, often with important advocacy or capacity-building outcomes. For example:

- In 2008-09, the MS Society received an Executive Officer's Grant to undertake the *Keeping Cool Survey of People with Multiple Sclerosis*. This research was the first of its kind and was used to influence the government to improve the Victorian Medical Cooling Concession and to put in place local government heatwave planning.
- In 2009-10, the Footscray Community Legal Centre and Financial Counselling Services received a grant for a project delivering training to support workers and financial counsellors that work with clients from the African communities about consumer rights in energy and water. Delivered together with the Energy and Water Ombudsman (Victoria) (EWOV), the project resulted in easier access to hardship teams for support workers; increased uptake of EWOV's assisted referral process and an increase in eligible cases referred to EWOV.

Further information

If you have a project idea that you'd like to discuss, please contact CUAC Policy Advocate Caitlin Whiteman on (03) 9639 7600 or by email at caitlin.whiteman@cuac.org.au.

Program Guidelines and the application form are available on the CUAC website at www.cuac.org.au



ESC Chair signals high expectations

Speaking at an important industry conference last month, Essential Services Commission (ESC) Chairperson Dr Ron Ben-David has told water businesses to expect greater scrutiny through performance reporting, as well as a more rigorous approach in the next round of pricing determinations.

Dr Ben-David began his speech at the VicWater Annual Conference by acknowledging that in an era where customers are paying 'more and more' for their water, they can also be expected to demand better value for money. He detailed two areas in which the ESC will be looking for improvements.

Performance reporting

At present, the ESC publishes an annual *Water Performance Report* which documents businesses' performance on a range of measures including affordability, assistance to customers experiencing hardship, water supply reliability and so on. In a sector that lacks direct competitive pressures, this process aims to promote 'competition by comparison'.

Recognising the importance of open scrutiny of water businesses' performance, Dr Ben-David outlined coming changes to the performance reporting regime. Firstly, the release of performance reports will be brought forward by five months to December. At

the same time, the Commission will review and update the presentation of performance reports to ensure they can be 'read and understood easily by anyone who might be interested'.

2013-18 Water Plans

Each regulatory period, water businesses submit Water Plans setting out expected expenditure and proposing prices to raise required revenue. The ESC assesses the plans and makes a determination.

While the Commission approved large price increases for the last period, the Chairperson cautioned water businesses not to expect such increases to become the norm. Although he would not pre-empt the formal processes, Dr Ben-David said he would 'foreshadow ... that the Commission will have high expectations'. He said that water businesses will be expected to demonstrate that 'costs are being managed more rigorously than ever before', investment proposals supported with 'more thorough cost-benefit analyses than ever before' and proposed expenditure properly justified with a robust risk management framework.

CUAC welcomes improvements to the timeliness and content of performance reporting and a rigorous approach to assessing businesses' water plans. We will be monitoring developments closely and advocating on behalf of consumers to see that water businesses deliver on ESC expectations.

The full text of Dr Ben-David's presentation is on the VicWater website at www.vicwater.org.au

CUAC news

Australian Government changes

Arrangements for the new Australian Government have been confirmed, with some changes in relation to water. The Department of Water, Environment, Heritage and the Arts (DEWHA) has been replaced by the Department of Sustainability, Environment, Water, Population and Communities (SEWPAC). The Hon Tony Burke MP is the new Minister for Sustainability, Environment, Water, Population and Communities, while a Parliamentary Secretary for Sustainability and Urban Water, Senator the Hon Don Farrell, has also been appointed.

CUAC is particularly pleased to see the appointment of a dedicated Parliamentary Secretary for Urban Water. We have written to Senator Don Farrell seeking a meeting to discuss consumer issues in urban water.

FCRC Annual Conference

On September 6, CUAC Executive Officer Jo Benvenuti addressed the Financial and Consumer Rights Council Annual Conference, held in San Remo.

Speaking on the topic of *Campaigning in Utilities*, Jo gave a long-term overview of major developments in energy and water and identified areas where the input of financial counsellors can help to inform advocacy on behalf of consumers. Jo also discussed ongoing utilities price increases and emphasised the need for better information and education to support consumers to navigate the energy market to get the best deal.

NSA zone meeting

CUAC's smart meter information needs project sparked a great deal of community interest, generating a number of requests for CUAC to speak on smart meters. On October 18 we will address the National Seniors Association zone meeting on energy matters and smart meters. Later in the month we are travelling to Warrnambool to speak with a group of community sector workers. If you are interested in having a CUAC speaker talk to your group about smart meters or other consumer utilities issues, please contact CUAC Policy Advocate Caitlin Whiteman on (03) 9639 7600 or at caitlin.whiteman@cuac.org.au.

CUAC submissions July – September 2010

CUAC made the following submissions during the July–September quarter:

- Essential Services Commission, Issues Paper—Developing a Hardship Guaranteed Service Level
- Australian Energy Regulator, Draft Decision— Electricity distribution determination for Victoria

- Australian Energy Regulator, Issues Paper— Retail Market Performance Reporting
 - Australian Energy Regulator, Issues Paper— Approach to Retail Exemptions
 - Essential Services Commission, Draft Decision— Smart Meters Regulatory Review
- All CUAC public submissions can be viewed on the CUAC website at www.cuac.org.au

From the Executive Officer

CUAC's recent smart meter consultations with non-government agencies across Victoria have thrown light on just how hard it is for consumers to understand and negotiate energy market offers. Victoria's market is now amongst the most competitive in the world and consumers should be benefiting from that choice. Instead, we continue to hear of clients taking up marketing offers without being able to compare "apples with apples" or assess whether the offer represents a good deal for them.

Agencies representing older Victorians, those with English as a second language or experiencing disadvantage have described the particular difficulties experienced by their clients. Often, information barriers see these consumers paying higher prices.

Indigenous Research and Action Project

CUAC is pleased to announce that we are receiving Consumer Credit Fund support for the research component of an Indigenous Research and Action Project examining how Indigenous consumers in Victoria are coping with rising prices and changes in the energy market.

In 2004 CUAC worked with indigenous consumers on a research project titled *Disadvantaged Utility Consumers: The experience of Indigenous consumers in Victoria*. Interviews and focus groups with 98 participants from across Victoria highlighted high levels of electricity and gas disconnection (almost half of participants) and water supply restriction (almost one third) - exceedingly high in comparison with overall electricity and gas disconnection rates of less than 1%.

Other findings were that a quarter of research participants had received requests to provide security deposits in order to access utilities, and that many were not aware of or accessing the concessions available to them. One third of participants were aware of the Energy and Water Ombudsman (Victoria) (EWOV).

In light of the recent changes in the energy and water markets, CUAC is revisiting the previous research. We are currently exploring options for funding for the 'action' component of the project, comprising direct consumer education and empowerment, as well as advocacy to government and businesses.

We have been fortunate to have support for the project from indigenous agencies in Mildura, Melbourne and Gippsland. We have also worked with the Indigenous Consumers Unit at Consumer Affairs Victoria, and EWOV, Sustainability Victoria and the Department of Human Services are support partners for the project. We look forward to letting you know about the progress of this important work.

Smart Meters

As readers would be aware, in May CUAC was funded by the Department of Primary Industries to work with non-government agencies to determine their information needs in responding to their clients regarding smart meters. CUAC conducted a survey and held forums in Melbourne and Bendigo with workers in financial counselling, emergency relief, community information and energy auditing services. We also met with business groups.

CUAC's report has now been provided to the Minister for Energy the Hon. Peter Batchelor, and will inform the four governance committees reporting to the Minister on the roll-out and the moratorium on the mandatory reassignment of time-of-use tariffs. The report has allowed agencies to inform the Minister on the need for clear, transparent information on smart meters, their functions, rationale and consumer impacts. The report also identified policy concerns raised by agency representatives.

Continuing involvement in the smart meter roll-out—particularly on the outcomes of the moratorium, the customer impact study, the equity review and information and education—is a significant priority for our work this year. We will keep you posted on these developments.

Jo Benvenuti, Executive Officer