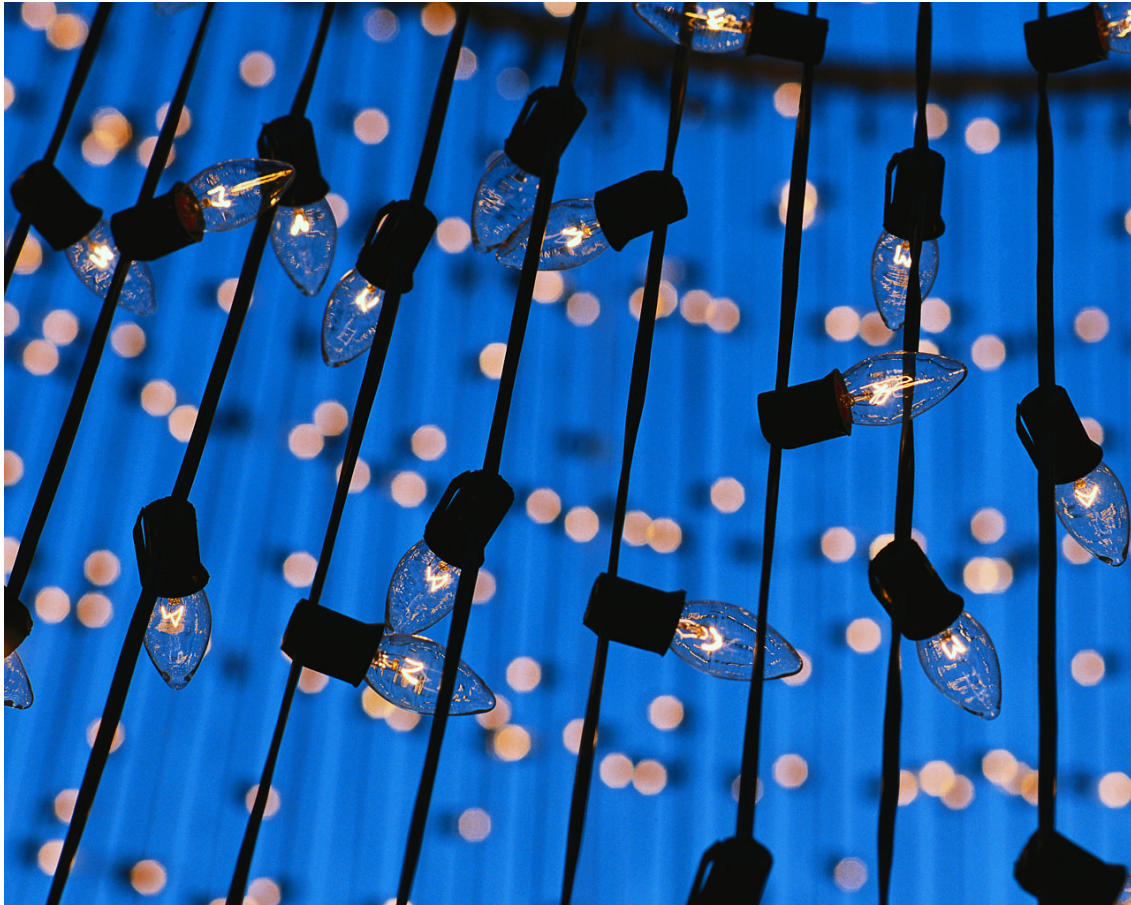


Issue 17, December 09
CUAC Quarterly Newsletter



The year in utilities: the reports are in!

**Auditor
General's
report on
AMI**

**ESC
energy
price
comparison**

**CUAC's
new
Indigenous
project**

**Changes
to Water
Access**

**Social
implications
of energy
and water
pricing**

**Two new
CUAC
funded
research
reports
launched**

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Contents

Changes needed for AMI rollout.....	3
Energy retailer report released	4
Indigenous utilities issues project.....	5
Report flags private access to water infrastructure	6
EWOV Update	7
Social implications of energy and water pricing.....	8
NECF Update	9
Greenstart program.....	9
‘Still an Unfair Deal’ launched	10
CUAC research reports and submissions.....	11
Executive Officer’s wrap-up	12



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.

Changes needed for AMI rollout

By Jo Benvenuti
CUAC Executive Officer

The Victorian Auditor-General released a report in November 2009 on the Advanced Metering Infrastructure (AMI) roll-out in Victoria. The report criticised a number of aspects of the handling of this project.

The Auditor-General cited inadequacies in the advice and recommendations provided to government on the AMI project in relation to economic merits, consumer impact, and project risks. The report indicated that the project warranted much stronger departmental governance oversight in view of the significant cost of the AMI to both industry and consumers, as well as the nature and scale of the market intervention. In particular, the Auditor referred to the need for more effective consultation with consumers in the lead up to the AMI roll-out decision.

CUAC welcomes the Department of Primary Industries (DPI's) response to the report. DPI has committed to reviewing the governance structure of the AMI project; has placed a high priority on maximising consumer benefits from the AMI roll-out; and has developed a stakeholder engagement plan. DPI has also indicated it will be actively engaged with the AER to ensure that benefits realised through regulated network services are passed through to consumers and is updating the cost-benefit analysis.

CUAC supports DPI's plans to take an active oversight role in the deployment of the AMI roll-out to ensure that the anticipated consumer benefits are achieved. However, a revised governance structure must include transparent accountability and terms of reference, meaningful consumer representation and resourcing, and project management support.

CUAC also believes that a substantial community information and education program is needed about smart meters and the smart grid environment as part of this roll-out and the Victorian Government's overall response to climate change (this should be addressed in the Climate Change White Paper which is anticipated in 2010). In order to realise the anticipated benefits arising from the AMI roll-out, consumers need to be informed about the impact of smart meters and smart grids, time of use tariffs, and energy efficiency.

The concessions framework in Victoria should also be reviewed in view of rising energy prices associated with the Mandatory Renewable Energy Target (MRET), the Carbon Pollution Reduction Scheme (CPRS), infrastructure renewal, the increase in metering charges arising from the AMI roll-out, and the impact time of use tariffs will have on consumers, particularly low income and vulnerable consumers. Consumers who are unable to shift their energy use from peak periods to off-peak periods will potentially experience price shocks associated with the increased costs for their appliance usage in peak times. In particular, this is likely to follow us-

age of heaters in winter and air conditioners in summer. People dependent on these appliances such as the elderly and the very young may need to be compensated through concessions to ensure they have access to this essential service for their health and well being.

Smart Meter Roll-Out

The deployment of smart meters is in progress. From September to the beginning of December 2009 over 14,000 smart meters have been installed in Victorian homes and this number will continue to increase, ramping up considerably from July 2010, and with every home having a new meter by the end of 2013.

Meter charges and customer bills

Meter charges for the roll-out which have been approved by the Australian Energy Regulator, can be passed through to consumers from 1 January 2010, so consumers will either see this charge as a separate line item on their bills or retailers may choose to include this charge in their supply charge from this date.

Fixed (supply) charges

Fixed charges can differ according to a number of variables, including:

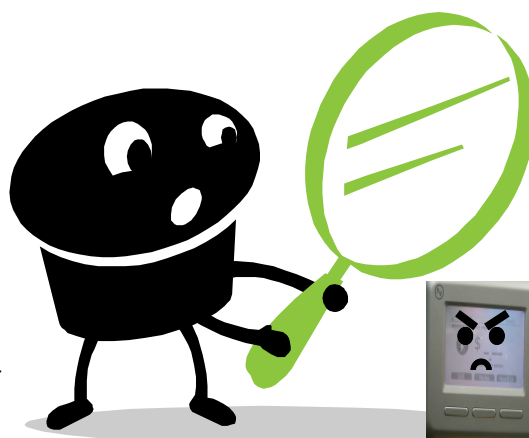
- the customer's tariff
- the distributor's network charge
- the retailer's decision to increase or decrease the fixed charge component on the bill as part of their standing or market offers.

For example, a retailer may increase the fixed charge component of the bill in areas where their customers are on standing rather than market offers in order to provide a price incentive to switch to a market offer. Consumers with higher fixed charges are not able to reduce the fixed component of their bill by energy efficiency.

Under the legislative arrangements retailers cannot alter standing offers more than once in a six month period. The following retailers have recently issued their revised supply charges for the most basic residential standing offer in the Government Gazette and depending on the distribution area these range from:

- AGL: (effective 1 January 2010) \$246.40 – \$314.09
- TRU Energy: (effective 3 November 2009) \$195.40 – \$230.56
- Origin Energy: (effective 1 January 2010) \$200.60 - \$234.48
- Victoria Electricity: (effective 2 January 2010) \$208.15 - \$264.84
- Energy Australia (effective 14 January 2010) \$232.87 - \$289.08

To read the report go to: http://download.audit.vic.gov.au/files/111109_AMI_Full_Report.pdf



Energy retailer report released

By Jo Benvenuti
CUAC Executive Officer

The Essential Services Commission released reports covering retail pricing comparisons and customer service performance for Victoria's energy retailers on 14 December 2009. These reports are important indicators as they provide the first independent analysis of pricing and customer service trends since the lifting of retail pricing regulation in January 2009.

CUAC commends the ESC's reports, including independent research into market contracts on offer to electricity and gas customers. We would like to see key indicator reports released on a quarterly basis to assist customers to understand their options to make savings. This is particularly important in the context of rising prices. CUAC will undertake to establish key customer service and price indicators, forming a consumer report card for Victorian consumers to assist them in understanding and comparing retailer performance and pricing and to encourage their informed participation in the market.

Increase in energy prices, marketing and switching

The report noted that energy prices increased in the 2008-09 period due to drought conditions and the reduced output of hydro-electricity plants and the consequent increase in the more expensive gas-fired electricity generation.

Marketing activity remained very high in Victoria with the number of customers switching retailer up by 14 per cent from 2007-08 to 25 per cent, the highest switching rate in Australia. However it is not known how many of these consumers have switched more than once in the period as a result of confusion or dissatisfaction.

The report shows that there is a wide variance between retailer rates, with the highest rates generally being quoted in regional areas. This shows the importance of educating people in rural and regional areas to maximise any savings they are able to make.

The ESC's research also shows that there is a significant price variance between standing offers and market offers. The ESC based their comparisons in electricity pricing on a standard annual household bill (4000kWh peak and 2500Wh off-peak). A consumer on a standing offer paid an average \$1144 per year, with amounts varying from \$1021 to \$1461 depending on their retailer and distribution area. This compared with the lowest published market offer (4000kWh peak and 2500Wh off-peak) of \$949.

Retailers are required to publish at least one market offer on their website and provide this offer to the ESC for publication on the ESC's YourChoice website. The ESC's independent market research found that the majority of retailers published lower single rate offers than those quoted to consumers when approached by phone for residential and small business quotes. It is therefore important for consumers to be price aware and know what prices are being quoted against those that are published. Similarly there are substantial electricity savings that can be made by small business. The ESC report



showed that the average total yearly electricity costs quoted to business customers on a single rate tariff was \$2,283 and that there were a wide range in the offers from the lowest quote of \$2,103 to the highest quote of \$2,713.

The report showed lesser gas price differentials between the standing and market offers in 2008-09. Annual household bills for standing offers based on a typical usage of 60 Gigajoules per annum ranged from \$771 in Melbourne to \$1493 in Bairnsdale. Worryingly this demonstrates that regional consumers could pay twice the amount for the same amount of gas as their Melbourne counterparts. The published market offers ranged from \$774 in Melbourne's north to \$1448 in Bairnsdale.

Market conduct

The ESC's independent research confirmed that a significant proportion of the community is unhappy with retailer's door-to-door marketing and telemarketing activities. This is evidenced also in the increasing number of complaints to EWOV and directly to retailers in 2008-09. The research showed that consumers gave very low ratings for the retailers' marketing behaviour (4.4 out of 10 overall) with the main reason for their dissatisfaction being that they do not like unsolicited offers. Some consumers found the marketing behaviours to be pushy or rude but fewer consumers were dissatisfied because the offer was not explained or was difficult to understand. The dissatisfaction response was universal in that no particular community or suburb gave a stronger negative rating to retailers.

However, the ESC acknowledged a report prepared by the Footscray Legal Centre which highlighted the distinct issues for these communities as newly arrived refugees who had little understanding of electricity and gas supply to their homes or of the contractual basis for this. The ESC has worked with four retailers active in this area to develop initiatives to mitigate the communities identified concerns.

The ESC is also in the process of reviewing marketing materials to assess how well the materials address explicit informed consent, particularly for vulnerable consumers including those experiencing language or literacy difficulties.

Financial Hardship

This was the first time retailers had to report against their financial hardship programs which are required to prevent

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Indigenous utilities issues project

CUAC attended a state wide Indigenous Homelessness Network Conference on 3 December in Melbourne to report on emerging electricity, gas and water issues, and to discuss a CUAC project working with Indigenous consumers.

The Indigenous Homeless Network has a membership of nearly 50 housing workers from all regions of Victoria, committed to working with their communities to obtain more affordable and sustainable housing. Members work with Indigenous people seeking crisis, emergency, transitional and long-term housing as well as people at risk of losing their tenancies. The network meets quarterly to discuss issues facing communities and working towards solving problems.

The forum provided CUAC the opportunity to talk about an action project it is developing, working in partnership with organisations in responding to the interests of Indigenous consumers. The action project will involve meeting with organisations to discuss community needs and priorities, providing information on utilities issues and learning about how communities feel CUAC can best work to ensure the right to affordable and sustainable energy and water. This may, for example, be through advocacy to Government on particular issues, community workshops, or developing community information resources.

Policy Officer Anita Lumbus participated and presented at the forum on behalf of CUAC. Anita spoke about CUAC's advocacy work and current and emerging utilities issues, including the increase in water and energy prices, the smart electricity meter roll out, a move to a national energy customer framework and some of the impacts of energy reform and price deregulation on low income and disadvantaged consumers.

CUAC's past work with Indigenous consumers includes a research project undertaken in 2003. The research, involving focus groups and interviews with nearly 100 Indigenous consumers across seven different locations in Victoria, found that participants experienced levels of disconnection from electricity and gas (almost half of participants) and restricted water use (almost one third of participants). These results were



Delegates at the Statewide Indigenous Homelessness Network Conference 2009

exceedingly high in comparison to overall rates of disconnection from electricity (0.7%) and gas (0.28%) in 2003 (EWOV, 2008). The research also showed that consumers had been disconnected from electricity or gas, or restricted from water access more than once, that a quarter had received requests to provide security deposits in order to access utilities, and there was a low level of awareness of concessions and hardship assistance available.

CUAC will now adopt an action research approach which will include hearing about positive local solutions to community issues and potentially converting these stories to rights – based information resources.

CUAC is grateful for the assistance of the Indigenous Consumers Unit at Consumer Affairs Victoria, who has been integral in helping to design this research, focused on bringing benefits to communities, and making initial links with organisations. Through the Indigenous Consumers Unit CUAC has been able to set up visits to Mildura and Robinvale in early February.

For more information about the Indigenous Consumers Project please contact Anita Lumbus at CUAC on 03 9639 7600 or anita.lumbus@cuac.org.au.

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consumers being disconnected for inability to pay. 23,000 consumers (74% were low income concession card holders) participated in retailer hardship programs in 2008-09. Of these 30 per cent successfully completed the program and returned to "mainstream" billing, however the remainder left because they did not comply with the requirements of the programs or maintain contact with retailers. Five per cent of the consumers who had been on the program were disconnected from supply. While there were clear benefits for the 30 per cent who were assisted by the programs, it is incumbent on the ESC to explore in more depth the reasons for the large number of people who failed these plans.

Disconnections

While electricity and gas disconnection rates for non-payment remained low compared to other jurisdictions in Australia there was a slight rise in from 2007-08, up to 0.43

per cent for electricity and 0.57 per cent for gas consumers disconnected. This rise was mostly as a result of AGL resuming disconnection activity after a temporary suspension of disconnection activity in 2007-08 when it was dealing with billing system issues. The performance of individual electricity retailers varied considerably. Victoria Electricity and Red Energy reduced their disconnection rates in 2008-09 and Australian Power and Gas had the highest electricity disconnection rate of 1.38 per 100 consumers. Origin Energy and TRUenergy recorded a higher than average gas disconnection rate and Australian Power and Gas also had the highest disconnection rate of gas consumers with 1.28 per 100 consumers.

The number of disconnections of consumers on budget instalment plans increased in 2008-09 for both electricity and gas.

The report is available on the ESC website:
www.esc.vic.gov.au

Regulator's report flags private access to water infrastructure

Anita Lumbus
CUAC Policy Officer

CUAC is deeply concerned that the delivery of water services in Victoria could be radically changed within the next few years, following the release of the Essential Services Commission's final recommendations for an access regime in Victoria.

The ESC has recommended that an access regime be operational in Victoria by mid 2013. The access regime is designed to increase competition in the water industry, giving private operators vastly increased access to water and sewerage infrastructure to enable them to deliver a water source to customers. This could include water and sewerage transport services (e.g. pipes) but also extend to storage facilities including dams and reservoirs. The ESC's final report outlines examples of how private operators would participate in an access regime. For example, an operator might build a desalination plant as a new water source and require access to pipes to transport water to customers.

CUAC's overall concerns

CUAC has stressed throughout the ESC's consultation process that the inquiry has put the how before the why, simply consulting on the roll out of the reform, without analysing why it would be beneficial for Victorian consumers in the first instance. While the ESC has stated that it has simply followed the Government's terms of reference in undertaking the inquiry, of particular concern to CUAC is that:

- There has been no analysis by government of the potential benefits and disadvantages to consumers of an access regime, including cost analysis;

“CUAC supports innovation and reform which delivers cost-efficient benefits to end users, but is yet to see the evidence which shows that a state based access regime will achieve this.”

- The Government has not meaningfully engaged stakeholders in its policy development and therefore there exists a lack of transparent water reform policy objectives;
- There has been no analysis of how third party access will impact on consumers and the regulatory process; and
- The Government has not explored the potential for innovation within the current system.



CUAC supports innovation and reform which delivers cost-efficient benefits to end users but is yet to see the evidence which shows that a state based access regime will achieve this.

Far reaching recommendations

Water policy involves issues of basic human rights, public health and environment concerns. CUAC supports the current protection arrangements for consumers and does not want to see these compromised by increased competition in the water industry. The ESC's final report contains a number of recommendations which could potentially impact on these arrangements. Recommendations of particular concern to CUAC include:

- The regime will give private operators access to public dams and reservoirs. CUAC's submission strongly recommended further investigation and presentation of evidence by the ESC on the risks and benefits of providing access, and pointed out that dams were not covered under the access regime operating in New South Wales. However, in its final report the ESC stated that it did not accept that potential operational and risk concerns justified excluding dams and reservoirs.
- While a staged implementation has been proposed, the ESC has recommended a short timeframe for implementation. This includes a full review of the legislation and regulations relating to health and safety, drinking water quality, customer protection and environmental protection in the water industry. CUAC is concerned that the short timeframe imposed may not allow for a full and rigorous review to ensure strong consumer protections and safeguards.

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- The ESC will consider functional separation of water businesses after a period of time. Functional separation requires certain functions or activities of the business to be operated as if they were independent of the rest of the business¹. CUAC is concerned the process would be of significant cost to consumers and could result in water businesses contracting out services such as retail operations or billing services.

Matters for further consideration

The ESC's final report also outlines a number of 'matters for further consideration' and has recommended that the Government address these issues through its policy program for the water sector. For example, the ESC explored whether a Retailer of Last Resort (RoLR) scheme would be necessary. A RoLR scheme which would enable water and sewerage customers to continue to receive supply if their retailer failed. The ESC noted that a RoLR scheme would be developed in consultation with stakeholders if and when the Government introduced full retail competition in the water sector.

The ESC also put the decision to Government as to whether retail meters should also be considered as part of an access regime. They noted that there would be benefits from excluding them from an access regime if the Government decided to allow retail competition. They have called for the Government to consider retail meters within the context of its policy program.

The ESC's position on such issues further highlights CUAC's argument that the Government's policy intent is unclear, as the regulator is not sure of the government's vision for the delivery of water services and is deferring to the government to make these decisions. CUAC strongly argues that such decisions must not be made without public debate and inquiry.

Next steps

The government is yet to provide a formal response to the ESC's report. CUAC will continue to advocate on behalf of consumers, particularly low income and vulnerable consumers as the staged implementation proceeds. CUAC will ensure it is involved in the relevant reviews of legislation and regulation. CUAC will also continue its efforts to encourage Government to adopt best practice in water policy development, with an emphasis on transparency and public consultation in decision making.

We would be interested in any feedback or comments on these developments. Contact Anita Lumbus at CUAC at anita.lumbus@cuac.org.au or phone 9639 7600.

FOOTNOTES

1. Essential Services Commission 2009, *Inquiry into an Access Regime for Water and Sewerage Infrastructure Services—Final Report, Volume II: Analysis and Discussion of Issues*, September, p. 95

EWOV Update

By Deanna Foong
CUAC Senior Policy Officer

Increased complaints, increased disconnections, and poor performance by AGL, were some of the worrying details to emerge from the Energy and Water Ombudsman Victoria's (EWOV's) Annual Report 2008-2009.

EWOV released the Report on 26 November 2009. It included the period covering the first six months of retail price deregulation in Victoria, which began on 1 January 2009.

EWOV received 38,533 cases in 2008-2009, an increase of 52% on the previous year (25,413 cases). Most consumers who approached EWOV in 2008-2009 had already attempted, at least twice, to resolve their dispute with their company directly, without success.

AGL complaints

The report revealed that AGL Sales, one of Victoria's largest retailers, was responsible for the majority of the increase in the number of cases. There were 7,124 more complaints against AGL Sales in 2008-2009 compared to 2007-2008, and AGL complaints represented 42% of the total number of complaints received by EWOV over this period. The increase in the number of complaints against AGL Sales was largely due to changes to its billing system in 2007-2008, which produced ongoing problems.

Payment plans

EWOV reported that of the 7,263 complaints investigations, 6,610 complaints (91%) were conciliated. 1,884 payment plans were negotiated as part of a conciliated outcome and 26 per cent of all finalised investigations involved a payment plan. This indicates that retailers need to better engage with consumers to ensure that they have access to payment plans which take into account their capacity to pay.

Disconnections

CUAC is concerned that even though disconnection numbers are low compared to other states, since 2005-2006 there has been an upward trend in the number of energy credit-related disconnection cases. The number of credit-related electricity disconnection cases increased by 113, from 370 in 2007-2008 to 483 in 2008-2009, an increase of 30.5 per cent. Credit-related gas disconnection cases increased by 167, from 282 in 2007-2008 to 449 in 2008-2009, an increase of 59 per cent. Retailers made a wrongful disconnection payment (WDP) in 53 per cent of the energy disconnection complaints investigated by EWOV.

The Essential Services Commission (ESC) recently called for a review of the WDP in Victoria. In CUAC's submission, we emphasised the importance of retaining the WDP in Victoria. The WDP provides an incentive for retailers to ensure that they have adequate processes and systems in place to ensure that consumers are not wrongfully disconnected from supply, and provides an important safeguard for consumers. Energy is an essential service and disconnection must be a last resort.

By way of contrast, water restriction cases remained very low. The number of water restriction cases increased by 3, from 14 in 2007-2008 to 17 in 2008-2009.

The full report can be accessed on EWOV's website www.ewov.com.au.

The social implications of water and energy pricing

By David Stanford
CUAC Policy Officer

Government policy debates around energy and water have traditionally been discussed in ‘hard’ economic terms. Energy and water were seen as necessary commodities for economic growth and the development of Australia’s thriving agricultural sector. In recent years the debate has become more complex. As the impacts of climate change and water scarcity become apparent, environmental considerations are balanced with economic considerations. However, now more than ever, regulators also need to consider the social impacts.

The high prominence of environmental considerations in the energy and water policy mix is a positive development. It is reflective of governments’ increasing willingness to incorporate community concerns into their policy processes.

But with water and energy prices rising rapidly over the next few years, governments and the public will undoubtedly have to focus more on the social implications of energy and water policy decisions. It will become increasingly important that community concerns around these social implications are incorporated into policymaking. Governments will have to carefully balance the often competing economic, environmental and social elements of water and energy policy.

Water and energy prices in Australia continue to be low by world standards. In the most recent survey of household expenditure, water constituted just 0.67

emissions trading scheme and by significant investments in network infrastructure. In the water sector, scarcity coupled with significant supply infrastructure investment (such as desalination plants and interregional interconnectors) will also lead to significant price increases. Some estimate retail electricity price increases over the next five years may be as high as 100 per cent. Similarly, a recent water price review in Victoria allowed water businesses to increase prices by up to 64 per cent in Melbourne. It is likely that these water prices will rise again once the review period expires.

The social implications of these price rises will be significant. People on low-incomes will find it increasingly difficult to cover the costs of their energy and water consumption. It is likely that the incidence of debt associated with utility bills and disconnection from supply will also increase markedly.

Many Australians are unaware that energy and water costs can be a crippling burden for some households. Even with current relatively low utility prices, there are many households who dread the arrival of their energy and water bills and for whom utilities have been a contributor to ever increasing levels of debt. Many of these households remain on the cusp of disconnection or restriction month after month.

The consequences of disconnection from supply are profound. People need energy and water to participate effectively in society and remain healthy. Without these services you are unable to wash, prepare food or keep warm in winter. It is difficult to imagine the feeling of hopelessness that would be experienced by householders who have been disconnected

from energy or water supply because of an inability to pay bills.

“Governments and the public will undoubtedly have to focus more on the social implications of energy and water policy decisions.”

per cent of average total household expenditure and energy constituted just 2.64 per cent. However, price rises in water and energy are set to become an increasingly noticeable feature of household budgets particularly among low-income earners.

Energy prices will be driven north by policies such as the expanded Mandatory Renewable Energy Target, the likely

It is of crucial importance that, as price rises occur, government works hard to ensure that the social impacts are limited. The household compensation package that accompanies the proposed emissions trading scheme is an example of a policy that will go some way to addressing these. However, there are many other ways that government can contain the impacts of price increases in energy and water.

Well designed consumer protection regimes are particularly important. In the energy sector, the forthcoming National Energy Customer Framework (NECF) provides a great opportunity for governments to develop an

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effective customer protection regime to ensure that all Australian energy consumers:

- have universal access to payment plans;
- are protected from unfair marketing practises;
- are able to access to best practice hardship and payment assistance programmes;
- are appropriately protected from disconnection;
- are provided with appropriate levels of service quality and reliability; and
- are well equipped with information to participate effectively and safely in the energy market.

The current iteration of the NECF that is out for consultation is in need of significant improvement if it is going to provide adequate protection in light of the significant price increases that are slated to occur.

Appropriate concession programmes are also an important factor that mitigates the social impacts of price increases. Concessions play a central role in ensuring that people experiencing disadvantage can continue to access water and energy even in the face of significant price increases. Governments will need to assess the adequacy of their concessions for low income households as well as some of the support targeted at people with other needs. For example, older people and people with disabilities who are particular sensitive to heat and cold may need additional assistance to power heating and cooling year round. This will be particularly important if they are subjected to higher daytime prices with the advent of time of use charging.

It is absolutely imperative that all Australians can continue to access energy and water. In light of significant reforms and cost pressures, the social side of energy and water will need to be placed on an equal footing with economic and environmental concerns. Failure to do so will lead to utilities being a contributor to higher rates of disadvantage and social exclusion.

NECF Update

On 27 November 2009, the Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO) released the Second Exposure Draft of the National Energy Customer Framework (NECF) for consultation. The package includes a second draft of the National Energy Retail Law, National Energy Retail Regulations and National Energy Retail Rules and is accompanied by explanatory material. It also includes new draft Law and Rules provisions for: national electricity and gas connection frameworks; a national Retailer of Last Resort (RoLR) scheme for electricity and gas. A public forum on the package will be held on 3-4 February 2010 in Melbourne. CUAC is working with other consumer groups to prepare a response to the Second Exposure Draft. Submissions are to be submitted to the MCE Secretariat by close of business on Friday 26 February 2010. For further information on the Second Exposure Draft, refer to the website of the Department of Resources, Energy and Tourism <http://www.ret.gov.au/Documents/mce/quicklinks/bulletins.html>

Green Start Program



The Federal Government has announced a new \$130 million program to help improve the energy and water efficiency of low-income and disadvantaged Australian households.

The Hon. Peter Garrett, the Minister for the Environment, Heritage and the Arts announced the \$130 million program, *Green Start*, on 25 November.

‘CUAC welcomes this initiative,’ said CUAC Executive Officer Jo Benvenuti. ‘CUAC, as one of a broad coalition of community groups, has been advocating for this type of program to the Minister throughout the year, and we believe it has the potential to be of great assistance to low income and disadvantaged consumers.’

Under the program eligible householders will receive:

- ♦ A free home energy and water assessment.
- ♦ Free supply and installation of energy and water efficiency products such as pipe insulation, efficient light bulbs, low-flow showerheads, draught proofing, seals for fridges, doors and windows, grey water hoses and compost bins.
- ♦ Personalised help to access local, state, territory and Australian Government energy and water efficiency rebates and programs.
- ♦ Advocacy and support to help householders deal with landlords, real estate agencies and tradespeople to implement energy and water efficiency measures.

‘We’ll be working closely with the social welfare sector, Centrelink and FAHCSIA and state and territory governments to ensure *Green Start* connects with and complements programs and activities already in place in various jurisdictions,’ Minister Garrett said.

The aim is that local brokers will ensure the program is delivered to the areas and households most in need.

The Australian Government is now calling for bids to deliver the program. The details are on AusTender

<https://www.tenders.gov.au/?event=public.atm.show&ATMUUID=A36A27AD-9BC6-BE6D-1EA6E72D80F6DCF6>

The tender period will close on 14 January 2010.

Green Start is expected to roll out across Australia in 2010.

'Still an Unfair Deal' Launched

By Kerry Munnery
CUAC Publications Officer

A CUAC funded research report finds that vulnerable consumers appear worse off since the introduction of Victoria's privatised energy marketplace .

'Still an Unfair Deal', a report by the Financial and Consumer Rights Council (FCRC), was launched on 17 November 2009. The report includes case studies of 81 Victorian consumers who have had poor experiences with their energy retailers, since the deregulation of the energy retail market in January 2009.

CUAC Executive Officer Jo Benvenuti spoke at the launch about the importance of this report in highlighting the need for consumer protections in the national framework.

Allan Asher, head of the newly formed Australian Communications Consumer Action Network highlighted his experiences of energy reform in the UK, drawing comparisons with the Australian experience, and formally launched the report. Richard Foster, Chief Executive Officer of FCRC, raised the key findings and recommendations.

'This report provides a litmus test for how energy retailers and water businesses are responding to people experiencing payment difficulties and shows that vulnerable Victorians are slipping through the safety net,' Jo said. 'Retailers are not always abiding by the regulations that have been put in place to protect Victorian utility consumers.'

The report finds that low-income and vulnerable consumers are experiencing a range of energy related debt issues, and face significant levels of disadvantage due to failures in regulations designed to protect them. The problems found

"If energy retailers were fully compliant with these regulations, then people ... would not have had these marketing and payment difficulties."

include poor retail representative marketing conduct, and difficulties in gaining assistance to retailers' billing and hardship processes.

Of the 81 cases studied:

- ♦ 27% were from rural Victoria
- ♦ 20% were from culturally and linguistically diverse backgrounds
- ♦ 18% had a disability
- ♦ 12% were elderly and
- ♦ 4% were indigenous Victorians

A key finding was that the case studies identified 51 possible breaches of Codes used to regulate Victoria's energy industry.

'This is despite the fact that Victoria has arguably the best regulatory protections in Australia,' said Jo. 'If energy retailers were fully compliant with these regulations, then the people whose experience is detailed in this report would not have had these marketing and payment difficulties.'

The report is available on the CUAC website www.cuac.org.au or at the FCRC www.fcrc.org.au .



Richard Foster from FCRC speaks at the launch

Recommendations

The report recommends, with particular reference to the National Energy Customer Framework (NECF):

- ♦ Increased enforcement of industry Codes to ensure that retailers comply with their regulatory obligations.
- ♦ Better regulations and enforcement to control payment amounts under instalment plans for consumers experiencing financial hardship.
- ♦ Changes to the regulations surrounding retailer marketing conduct, particularly that marketing to consumers door-to-door be limited to the provision of information, not the signing of energy retail contracts.
- ♦ That in order to off-set the time spent by Financial Counsellors resolving retail energy issues, energy retailers should contribute a reasonable amount to Financial Counselling community projects.
- ♦ Further regulation for energy retailers to monitor sizable increases in customer debts. It is recommended that retailers include high-bill detection procedures to aid in detecting possible payment difficulties.
- ♦ Further regulation in training energy retail staff to recognise diverse customers including those with language and literacy difficulties.
- ♦ Energy retailers should contribute a reasonable amount of support for further awareness programs aimed at those from CALD communities.
- ♦ Regulations surrounding billing information and payment difficulties for water customers should be duplicated for electricity and gas customers, in view of their apparent success.
- ♦ Regulations surrounding the disconnection of energy supply should be retained, including the Wrongful Disconnection Payment (WDP).

Energy price rises will hurt low income consumers: report



Research commissioned by the Consumer Utilities Advocacy Centre and conducted by VCOSS has illustrated the impact that rising energy prices will have on low income and disadvantaged households.

Interviews conducted with people who were seeking emergency relief services showed that even a \$20 increase in energy prices would mean households would cause serious hardship for low income households.

One single mother in the survey group found that after paying rent and bills she had only \$54 a fortnight left to pay for food for her and her three children.

Next year, fixed charges on electricity bills will rise by an average of \$68 due to the cost of smart meters.

On top of this, electricity tariffs in some areas are set to rise by 69% for electricity used between 7am and 11pm where smart meters have been installed.

Low income households often include single parents with young children, aged pensioners or those with a chronic illness or disability people. As these people are at home during the day, they will be hit hardest by increasing costs.

The research shows once again that price increases mean households have to make trade offs between essential services such as gas and electricity and other essentials like food and education costs.

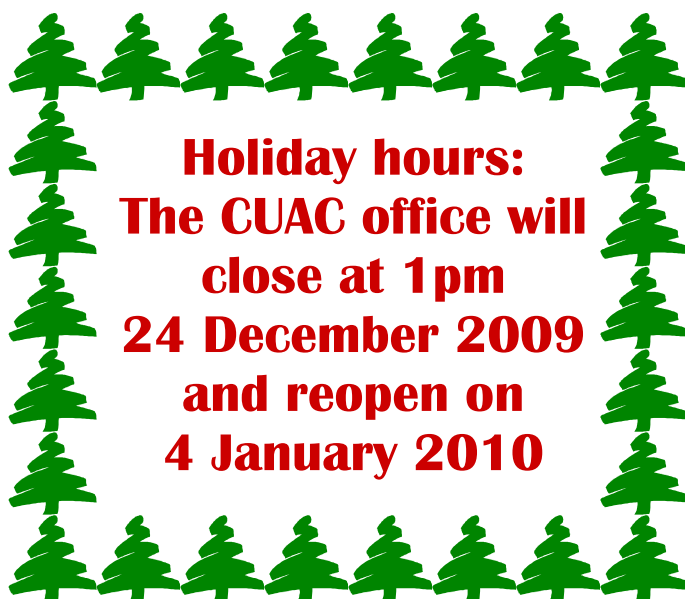
The report shows the urgent need to immediately increase the winter energy concession, rebate concession households for the cost of smart meters, and to make sure that other assistance, such as hardship programs, protection from wrongful disconnection and late payment fees remain a key feature in Victoria's consumer protections for electricity and gas service.

The report is available on the CUAC website, www.cuac.org.au.

Recent CUAC submissions

- ♦ *CUAC Submission to ESC on distributors communication during extreme supply events* (December 09)
- ♦ *CUAC submission to Energy Bill Benchmarking Consultation Regulatory Impact Statement* (October 2009)
- ♦ *ESC Charter of Consultation and Regulatory Practice* (30 October 09)
- ♦ *ESC Review of Wrongful Disconnection Payment* (30 October 09)
- ♦ *ESC Amendments to the Energy Retail Code (ERC) Draft Decision* (28 September 09)
- ♦ *ESC Review of Regulatory Instruments – Stage 2 Amendments to the Electricity Customer Transfer Code Draft Decision* (23 October 09)
- ♦ *ESC Response to Issues Paper – Electricity Distributors' Communications in Extreme Supply Events* (6 October 09)
- ♦ *Submission in response to the Victorian Government's Climate Change Green Paper* (30 September 09)
- ♦ *DRET Smart Meter Customer Protection and Safety Review - Draft Policy Paper One* (30 September 09)
- ♦ *DRET Ministerial Council on Energy Standing Committee of Officials, Smart meter customer protection and safety review – Draft policy paper one* (29 September 09)

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





From the Executive Officer



2009 has been a very busy year in both the energy and water policy and regulatory sectors.

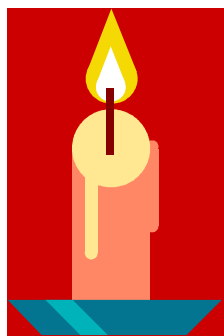
CUAC's big ticket items in energy have included consumer advocacy work towards best practice legislation and regulation as part of the development of the National Energy Customer Framework (NECF). CUAC has also participated in the consultation process with the Australian Energy Market Commission (AEMC) in the development of the rules for market design in the light of climate change and covering demand side participation, and undertook research to influence the improvement of facilitated distributed generation. CUAC has also advocated for improvements to the advanced metering roll-out in Victoria and to the development of the National Smart Metering Project. We also put forward a detailed submission to the Victorian government's climate change green paper.

In the water policy area, CUAC worked with other consumer and community agencies to influence the Essential Service Commission's (ESC's) decision on metropolitan water pricing and their review of a third party access regime for water. At the national level we organised a very successful consumer forum exploring the national water policy agenda of the Council of Australian Governments (CoAG) the National Water Commission (NWC) and Department of Environment, Water, Heritage and the Arts (DEWHA) and have continued to advocate for support for consumers to participate in these national policy processes.

CUAC has been represented on many consultative committee processes and continues to be sought after for its expertise. We are pleased to have been selected along with eight other consumer and community stakeholders to participate in the Australian Energy Regulator (AER)'s newly formed Customer Consultative Group and to have been selected to participate in the AER's Customer Consultative Forum (CCF) for the upcoming regulatory determination process for the Victorian distribution network providers. These will be important areas of work for CUAC in 2010.

In addition, CUAC has had the support of its Reference Group members in the development of exciting CUAC funded research projects, including the "Still an Unfair Deal" report released by the Financial and Consumer Rights Council on 17 November 2009, and the imminent release of a research project undertaken by the Victorian Council of Social Service providing a snapshot of electricity and gas services and their impact on households seeking

Emergency Relief. At the rural and regional level we have funded work undertaken by the Gippsland Resource Group to develop a community position on the Gippsland Water Factory. More CUAC grant and research projects are in the planning stages and this work will make for a dynamic advocacy agenda for the coming year. CUAC also co-convenes the national Roundtable on Energy with the Consumer Action Law Centre. At its meet-



ing held on 11, 12 and 13 November 2009 in Brisbane we were pleased to secure the participation of the Hon Martin Ferguson, Minister for Resources and Energy and the Hon Peter Garrett, Minister for the Environment. Both ministers entered into frank engagement with the Roundtable participants covering issues including energy and climate policy, the development of the NECF, energy efficiency and the national smart grid project. Other participants in the Roundtable included the AEMC, including the Commissioner John Tamberlyn and CEO Steven Graham, and the AER's CEO Michelle Groves and General Manager, Tom Leuner. We were also pleased to have senior representatives from government departments to discuss the NECF, smart meters and energy market regulation. The Roundtable is recognised for its collective expertise and capability and also provides opportunities for information sharing, capacity building and collaborative work. The second exposure draft of the NECF was released on 27 November 2009 and Roundtable members have already participated in a one day workshop to discuss this draft and to allocate areas for a joint submission.

CUAC's work has been the result of a great team effort. Although the team has undergone change and we have new team members, they have all hit the ground running and produced an amazing amount of quality work. I thank Deanna Foong, Senior Policy Officer, Policy Officers David Stanford and Anita Lumbus and Kerry Munnery our Publications Officer, for work over and above expectations. I would also like to acknowledge the work of May Johnston and Tosh Szatow who left us to take on other roles this year and who made terrific contributions to our work in 2009.

Many thanks are extended to our Board Directors, Joan Sturton-Gill (Chair) and Dr Peter Hansen, Fanoula Ferro, Sandra Slatter and John Chu for their time, contributions and support.

Thank you also to CUAC's Reference Panel members, to our advocacy colleagues, and departmental, regulatory and industry representatives. We extend our best wishes for a safe and happy holiday season and New Year and look forward to working on the many challenges ahead in 2010.

Best wishes,

**Jo Benvenuti
Executive Officer**



***Jo Benvenuti
CUAC Executive
Officer***