

# *Consumer Action Law Centre*

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*The Consumer Action Law Centre is an independent, not-for-profit, campaign focussed, casework and policy organisation. It is formed by the merger of the Consumer Law Centre Victoria and the Consumer Credit Legal Service, and builds on the significant strengths of these two centres.*

30 October 2006

By email: [info@advocacypanel.com.au](mailto:info@advocacypanel.com.au)

David L J Bremner  
Executive Officer  
National Electricity Consumers Advocacy Panel  
635 Canterbury Road  
SURREY HILLS VIC 3127

Dear David

## **Determination of Electricity Advocacy Funding Requirement for 2007/08**

We welcome the opportunity to comment on the Advocacy Panel's (the **Panel**) *Determination of Electricity Advocacy Funding Requirement for 2007/08* (the **Determination**) released on 18 September 2006. As a recipient of significant Panel funding, the Consumer Action Law Centre would like to make the following comments.

### **About Consumer Action**

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### **Importance of user advocacy funding**

We strongly support the operation of the Panel and welcome its continued support from the Ministerial Council on Energy. In our view, the Panel should continue to be adequately funded so that the finalisation and implementation of the national regulatory regime for electricity (and gas) can continue to be supported by well-informed and well-researched consumer input. Robust and diverse consumer participation in the current consultation processes is required to ensure energy reform meets its goals of improved efficiency and contributing to the long-term interests of consumers.

Funding for consumer advocacy needs to be sufficient to cover a broad range of areas, and should not be limited to the particular consultations currently being undertaken by government and regulators. In particular, energy consumer advocacy needs to cover the following broad areas:

- research and reporting on policy and operational issues of interest to consumers;
- contributing to policy formulation on behalf of consumers, at national, regional and local level, including at the request of regulators and/or governments;
- lobbying or advocating on behalf of consumers in general or particular classes of consumers;
- monitoring consumer protection mechanisms;
- informing and educating consumers about broad policy issues;
- disseminating information about market participation to consumers and licensing the provision of information by others; and

- educating and training consumers on relevant market participation issues.

In our view, Panel funding should be sufficient to address this range of activities as they relate to the program of energy reform and consultation being undertaken.

We also believe that funding should continue to be available for capacity building projects for advocates representing small end-users. The National Consumers Roundtable on Energy and the capacity-building project of Consumer Action are examples of such projects. As the national energy regulatory regime evolves and settles, there is a need to ensure that advocates understand and can influence regulatory decision processes in the future. Areas of importance include the monitoring and enforcement of consumer protections, reviews of effectiveness of competition and even involvement in pricing and revenue determinations.

The Determination lists at Appendix A the range of regulatory consultations proposed for 2006/07. We note that it is difficult at this early stage to determine what consultations will be undertaken during 2007/08. This is further affected by uncertainty relating to future reform proposals (which may emanate from the current work of the Energy Reform Implementation Group and other COAG processes). For these reasons, we believe that the Advocacy Panel must continue to be able to fund consumer advocacy in a range of areas.

### **Proposed funding requirement**

The Panel is requesting an increase in funding provided by NEMMCO from its participation fees from \$1,925,000 in 2006/2007 to \$2,245,100 in 2007/08. This amounts to an increase of 16 per cent and increases from \$1.4m in 2005/06 and \$1m annually before that. We cautiously support this increased funding capacity. The next 18 months to 2 years will see the finalisation and implementation of the new national energy regulatory framework, especially as it relates to distribution and retail issues. These issues are of significant concern to domestic consumers, and consumer advocacy must be sustained over this period.

We do note, however, originating from levies charged on market participants by NEMMCO, that consumers ultimately pay for Panel funding through their energy bills. For this reason, we believe that any increase in Panel funding must be clearly justified. We recognise that setting an appropriate funding level that ensures sufficient consumer advocacy yet does not overburden consumers is a difficult task. Nevertheless, we would have liked to see clearer justification for the increase in Panel funding in the Determination.

We note that much of the proposed funding requirement relates to staff positions. We support the increased use of staff positions to undertake consumer advocacy. We view that the funding of staff positions create greater efficiencies by ensuring that expertise and knowledge stays within organisations, especially community organisations. Moreover, staff positions have increased capacity to respond to a broader range of issues and consultations, undertaking advocacy in a more systematic way.

Despite this, we are unsure about the increase in other projects being anticipated by the Determination. We note that in 2006/07, the Panel has budgeted for 8 staff positions and 23 other projects. In the current Determination, the Panel is proposing 8 staff positions and 28 other projects. It is unclear from the Determination what justifies this increase. While we agree that the Panel should retain flexibility in relation to its type and level of funding grants to ensure that there is vigorous consumer involvement in continued energy reform processes, and that it is difficult for the Panel to predict how many applications it will receive, the Determination could have more clearly stated in what areas it supposes the demand will come from.

### **Panel expenses**

We are very concerned about the level of Panel funding proposed to be spent on operating costs - amounting to 24.1 per cent of the Panel's total budget. In particular, staffing costs are proposed to increase by almost 40 per cent. The Determination provides no justification for this increase and a total of \$252,273 seems far more than is necessary to employ the proposed 2 staff members. We

note that this increase coincides with a proposed decline in Panel sitting days and Panel member sitting fees. Other operating costs, such as rent, have also increased substantially since 2005/06. The Determination does not justify these dramatic increases. In our view, justification for costs of this nature is particularly important to provide transparent and accountable functioning of the Panel. We also note our view that salaries of Panel staff should be commensurate with the advocacy staff that the Panel funds.

In our view, good governance of funding and grant giving organisations demands that operating costs be kept to a minimum. We encourage the Panel, and the Australian Energy Market Commission, in its role in approving the funding requirement, to consult with other grant making organisations on the levels of operating expenses that is appropriate for a body of its type.

### **Other matters**

We continue to be concerned about the lengthening delay in moving to the long-term model of consumer advocacy announced by the MCE in December 2005. This delay impacts upon the Panel's funding priorities and the funding of advocacy relating to gas. We seek reassurance that the Panel's funding requirement will be sufficient to cover the proposed changes in the 2006 legislative package.

Should you have any questions in relation to this submission, please contact me on 03 9629 6901 or Gerard Brody on 03 9629 6300.

Yours sincerely

Catriona Lowe  
CEO