

Consumer Action Law Centre

**Report to the National Consumers Electricity Advocacy Panel (the Advocacy Panel)
Pursuant to Funding Agreement dated 30 October 2006
Application 218**

NEM NETWORK COORDINATOR AND RESEARCHER

1 March 2006 – 30 June 2007

1. Project Overview

The NEM Network Coordinator and Researcher (the **Project**) is made up of the following ongoing components:

- Network – maintaining a network of national stakeholders and continuing to develop mechanisms for information building and sharing.
- Communication via telephone conferences – undertaken to link up advocates, including those funded by the Advocacy Panel, from around Australia.
- Newsletter – the publication of a bi-monthly email newsletter providing information about NEM regulatory processes that affect small end-users of energy, and current work undertaken by NEM Network members
- Consumer roundtables – enable NEM Network members to share information, identify areas of consensus and develop individual and joint strategies to enable both individual and collaborative representations to the MCE and to facilitate direct meetings with national regulatory bodies.
- Advocacy – develop mechanisms for the delivery of collaborative advocacy in relation to the NEM, as well as providing written submissions to the Ministerial Council on Energy (**MCE**), the Australian Energy Market Commission (**AEMC**), the Australian Energy Regulator (**AER**) and other relevant energy regulatory and governance consultations.

Gerard Brody has been the Project Coordinator during the funding period. The Project has been overseen by Consumer Action co-CEO, Catriona Lowe and Consumer Action Director of Policy & Campaigns, Nicole Rich.

2. Project Tasks Completed

2.1 Network and teleconferences

The Project has established a national network of consumer, welfare and environment organisations (**NEM Network**) since its inception in 2004. During the reporting period, the Project continued to:

- develop effective communication between members of the NEM Network;
- develop knowledge building mechanisms via bi-monthly telephone conferences, an on-line chat group, face-to-face meetings and communications around written submissions; and
- enhance the profile of the NEM Network.

In particular:

- NEM Network members participated in joint research and submission writing (see 2.4 below).
- Two telephone conferences were held during the reporting period (on 24 April 2007 and 24 May 2007). These discussed the work of the MCE's Retail Policy Working Group (**RPWG**), consultations on the MCE's Draft National Electricity Rules (economic regulation of distribution), consultations undertaken by the Advocacy Panel, and consultations on the CoAG decision to roll-out smart meters from 2008.
- NEMCHAT, the online email group set up to assist NEM Network members to communicate in relation to the MCE reform process, has continued to be used by NEM Network members to update other NEM Network members on outcomes of a number of MCE consultations. Hundreds of messages have been posted on NEMCHAT during the reporting period.

2.2 On the Wire

Two editions of *On the Wire* have been published since the last funding report, in March and June. Copies are attached. The next edition will be released in August/September.

2.3 Roundtables

Two Roundtables were held during the reporting period – the first on 28 and 29 March in Melbourne, and the second on the 18 and 19 June in Canberra. The Roundtable was jointly hosted by Consumer Action and the Consumer Utilities Advocacy Centre (**CUAC**). The agenda for each Roundtable and a list of participants is attached to this report.

The Roundtable is a unique meeting of community sector organisations which fosters the development of advocacy tools that organisations can use to ensure that consumers take a strong voice in the debate on national energy market reform. Participants commended the face-to-face meeting format of the Roundtables as a necessary means by which to consolidate ideas and plan advocacy approaches on a national scale. The face-to-face meetings also support maximisation of the other communication tools established by the project – NEMCHAT and phone link-ups – by cementing relationships.

The Roundtables provided an important opportunity for participants to meet with and discuss energy market reforms with key members of regulators and government. At the March Roundtable, participants were addressed by Rajat Sarawat, Scott Stacey and Nives Madison, from the AEMC who are undertaking the review of the effectiveness of competition in Victorian retail energy markets. At the June Roundtable, participants were addressed by Sam Silva and

Brendan Morling from the Commonwealth Department of Industry, Trade and Resources, about the work of the Retail Policy Working Group. Additional joint advocacy took place following the June Roundtable while participants were in Canberra (see below).

2.4 Advocacy

The Project has also delivered six (7) submissions to regulatory processes during the reporting period. Some of these have been written jointly with other NEM Network members. The Project has additionally undertaken direct advocacy, by seeking meetings and making representations to politicians and government officials.

(a) Direct advocacy - meetings

As mentioned above, following the June Roundtable, joint advocacy representations were made directly to:

- advisors to the Minister for Industry, Tourism and Resources Ian Macfarlane;
- Shadow Minister for National Development, Industry and Resources Senator Chris Evans;
- officials from the Department of Industry, Trade and Resources.

These meetings allowed Roundtable participants to directly discuss consumer concerns with the national energy reform processes, including the work of the Retail Policy Working Group and the proposed national rollout of smart meters from 2008.

(b) Ministerial Council on Energy: National Electricity Rules (Economic Regulation of Distribution Services)

The Project provided a joint submission with the Consumer Utilities Advocacy Centre and the Society of St Vincent de Paul to the MCE's consultation on the Draft National Electricity Rules (Economic Regulation of Distribution Services). The submission raised concerns about the content of the draft rules, and particularly that the draft rules appear to limit the ability of the AER to deliver efficient and equitable outcomes for the market and for consumers. The submission recommended the rules focus on detailing high level principles that ensure the AER has the flexibility to evolve regulation as required by market conditions and is guided by representative consultative processes that ensure all market participants have the ability to engage with regulation. A copy of the submission (attached) can be found at: <http://www.mce.gov.au/index.cfm?event=object.showContent&objectID=E0538D54-F0B5-F9EA-10219B000F9587EB>.

The Project provided a submission to the MCE's consultation on the second exposure draft of the *Australian Energy Market Commission (Consumer Advocacy Panel) Amendment Bill 2007* (SA) and exposure draft of the *Australian Energy Market Commission Establishment (Variation) Regulations 2007* (SA). The submission argued that the draft regulation which defined 'small to medium consumer' were inappropriate and contrary to the MCE's stated intention with respect to consumer advocacy arrangements in the NEM. Consumer Action also wrote directly to the Minister for Industry, Tourism and Resources Ian Macfarlane and the Victorian Minister for

Energy and Resources Peter Batchelor in relation to this issue. Additionally, Consumer Action participated in a phone link-up with officials from the Department of Industry, Tourism and Resources to discuss this issue. A copy of the submission (attached) can be found at: <http://www.mce.gov.au/index.cfm?event=object.showContent&objectID=8E83936E-D71C-4306-220DA35BC58E5B7A>.

(c) Retail Policy Working Group (RPWG)

Consumer Action (through the Project) is a member of the RPWG's Stakeholder Reference Group, and has participated in two meetings of the group, on 14 March 2007 and 30 April 2007. Consumer Action also met directly with members of the RPWG Secretariat in Melbourne on 17 April 2007.

During the reporting period, the Project has also provided a detailed response to the RPWG Supplementary Working Paper on the national energy regulatory framework's objective and enforcement mechanisms. We argued that the enforcement mechanisms should be strengthened to take account of retail issues, and that the objective should be amended to ensure that regulators can take the interests of different classes of consumers into consideration in making regulatory decisions. A copy of the submission (attached) can be found at: <http://www.mce.gov.au/index.cfm?event=object.showContent&objectID=6E7F0D8E-B7AC-D3B4-951042295A64E455>.

(d) Australian Energy Market Commission

The Project provided a detailed submission to the AEMC's Draft Statement of Approach to the reviews of the effectiveness of competition in energy markets. This submission examined both the AEMC's proposed indicators for examining the effectiveness of retail competition, as well as the AEMC's proposed timetable and consultation methodology. In addition, we provided comments about the relationship between pricing regulation and effective competition, submitting that pricing regulation can support and enhance competition. A copy of the submission (attached) can be found at:

<http://www.aemc.gov.au/pdfs/reviews/Review%20of%20the%20effectiveness%20of%20competition%20in%20the%20gas%20and%20electricity%20retail%20markets/submissions1/003Consumer%20Action%20Law%20Centre.pdf>

The Project has also provided a detailed submission to the AEMC's Issues Paper in relation to its review of the effectiveness of competition in the Victorian energy market. This submission commented on a range of areas raised in the Issues Paper, focusing on systemic failures in demand side participation in the market, indicating a lack of effective competition. The submission also demonstrated how the safety net arrangement that operates in Victoria supports the operation of effective competition, by providing default arrangements for consumers who are unable to participate in the market. A copy of the submission is attached.

(e) Advocacy Panel

The Project also provided two submissions to consultations undertaken by the Advocacy Panel – one on the Panel's proposed evaluations of the effectiveness of advocacy funding, and another

on the Panel's funding priorities. As we have previously provided these submissions to the Panel, we have not attached copies here.