

15 February 2007

Ms D Shields  
Essential Services Commission  
Level 2, 35 Spring St  
Melbourne VIC 3000

Dear Ms Shields

The Consumer Utilities Advocacy Centre Ltd (CUAC) welcomes the opportunity to make a submission on the Essential Services Commission's (ESC) paper *Small Scale Licensing Framework: Draft Recommendations* (the Paper). CUAC is an independent consumer advocacy organisation, established to ensure the interests of Victorian electricity, gas and water consumers, particularly low-income, disadvantaged and rural consumers, are effectively represented in the policy and regulatory debate.

The submission is also supported by the Victorian Council of Social Service, Alternative Technology Association, and Consumer Action Law Centre.

Overall, we support the approach the ESC has recommended in the Paper. The system strikes the right balance between protecting consumers and facilitating innovation through renewable embedded networks. It is also appropriate that the ESC is the primary agency with responsibility to ensure compliance with regulation.

However we are concerned to ensure that the registration system will in fact provide adequate protection to consumers who are permanent residents within an embedded network. These consumers are typically low-income or disadvantaged, and they have been the subject of some of the most egregious examples of market misconduct. While we acknowledge that there is little value in capturing temporary residents, the definition of incidental supply must not be broad enough to exclude those consumers who are in the greatest need of protection. We support the comments made by the Tenants Union of Victoria in its submission particularly that caravan parks and rooming houses should be covered, given that they provide long term or permanent homes for many Victorians.

Should a consumer wish to exit an embedded network, there is an expectation that they would be forced to bear the cost of purchasing/installing the meter. The NEMMCO metrology procedures state that, in the case of an embedded network customer wishing to change

retailers, the responsible party (network service provider) must ensure that both the parent and child have interval meters. The Victorian metrology procedure places this requirement on the parent only, with the customer to have a type 5 meter.

This raises some concerns – is the consumer a first-tier customer entering the retail market for the first time (which effectively they are), as clause 7.1 of the draft ESC Electricity Customer Metering Code requires that the responsible party should bear the cost of the meter, and retain ownership of the asset? If the consumer is forced to bear the cost, what charges are able to be passed through, and who is monitoring the transaction? There is also a concern that a distribution business would be more likely to demand the cost in full, whereas a retailer could spread the cost over the life of a contract.

An advanced meter roll-out to all embedded network customers would solve this problem and we will be making a similar representation to the Government.

We have the following specific comments relating to the draft recommendations:

- Draft recommendation 2: given the lack of knowledge about how many and what kind of embedded networks actually exist, the Commission's (or Government's) call for such networks to register will need to be comprehensively developed, to ensure that all relevant networks are captured;
- Draft recommendation 6: the ESC correctly recognizes the market power of network owners and consumers' limited ability to exit networks, and so we strongly support the need for some form of price regulation. The degree of market power and barriers to exit mandate this oversight regardless of other changes to retail price regulation.
- Draft recommendation 7: we endorse, if practicable, that the Energy and Water Ombudsman Victoria (EWOV) be the dispute resolution body, but would recommend that the removal of the requirement to inform consumers of their right to take a dispute to the Victorian Civil and Administrative Tribunal (Draft recommendation 8) should only occur after EWOV has formally agreed to take small scale networks into its scheme

We support the move to incorporate these networks into the ESC's general compliance strategy. We would however strongly recommend that significant resources be allocated to monitor compliance at an early stage, given the lack of hard data about these networks.

Yours sincerely

Kerry Connors  
Executive Officer