



28 March 2008

**By email:** [Arend.Hardess@ret.gov.au](mailto:Arend.Hardess@ret.gov.au)

Lindsay Gamble, Legal Counsel  
National Energy Market Branch  
Department of Resources, Energy and Tourism  
Level 11, 10 Binara Street  
Canberra ACT 2600

Dear Ms Gamble,

### **National Framework, Energy Community Service Obligations**

The Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the Ministerial Council of Energy's (**MCE**) draft *National Framework – Energy Community Service Obligations (CSOs)*, which was released for consultation on 14 March 2008.

### **Background**

Consumer Action strongly believes that the energy market should deliver affordable and accessible energy services to all consumers. We believe that regulation of the energy market should have regard to the essential nature of the service, in addition to the pecuniary needs of the industry and long-term environmental sustainability.

In situations where market problems truly do affect particular consumer groups rather than reflecting a wider market failure, targeted responses can ensure that these problems are addressed while avoiding unnecessary wider costs. As such, we agree that targeted policies, such as CSOs, should not impose inefficient regimes on market operations. However, such policies do need to be flexible enough to address changes in the evolving energy market on both the supply and demand side, specifically issues of disadvantage as they arise. In particular, consumers should not be disconnected from supply due to an inability to pay, and CSOs should support this fundamental principle. In addition, it is important to note that sometimes market practices need to be addressed in the overall interests of fairness and social justice, regardless of marginal inefficiencies. It is easy to lose sight of this if the problem is regarded solely from an economic point of view.

**Consumer Action Law Centre**  
Level 7, 459 Little Collins Street  
Melbourne Victoria 3000

Telephone 03 9670 5088  
Facsimile 03 9629 6898

[info@consumeraction.org.au](mailto:info@consumeraction.org.au)  
[www.consumeraction.org.au](http://www.consumeraction.org.au)

CSO policies in the Victorian energy and water sectors are good examples of targeted policies that help low-income and disadvantaged consumers on the basis of their circumstances and need, rather than fixed traits, while benefiting suppliers and leading to better market outcomes.

## **National Framework – Community Service Obligations**

Consumer Action understands the MCE is investigating a National Framework for CSOs, with the intention of jurisdictions retaining the obligation for delivery. It is extremely important that in its review, the MCE maintains a focus upon retaining and growing CSOs rather than reforming or substituting them, or reducing their effectiveness and relevance.

We do, however; support the MCE's definition of CSOs, and specifically in the framework only applying to particular obligations on energy businesses for which governments provide specific compensation. We do note, however, that Government social policy, including CSOs, can be defined more broadly and that the market can be developed to ensure delivery of social policy objectives without the Government providing specific compensation, and that it can be economically efficient to do so. It is our view that social policy objectives should not be the domain of CSOs (as defined by the MCE) alone, and that the national energy market should include social objectives.

We generally support the nine principles, but would like to make the following specific comments:

### ***Principle 5***

We agree that CSOs should be targeted and be designed to achieve their social policy objectives at least cost. In relation to effectively targeting those in need, we believe the targeted groups need to consistently include pension and concession card holders where the national welfare system has already identified these groups as being in need of assistance.

### ***Principle 6***

We generally support the principle that CSOs should not be delivered through cross-subsidies. However, if ensuring affordability and uniform access to supply necessarily involves cross-subsidies between different classes of consumers, we believe that this option should not be discarded, especially where it is efficient and least-cost to do so.

### ***Principle 8***

We support this principle. We note that the draft framework's example highlights subsidised energy to a certain threshold to ensure consumers can afford a supply of energy, with an application of usual commercial rates above this threshold. We strongly support this notion and would like to refer the MCE to Gavin Dufty of St Vincent de Paul's paper, '*Electricity pricing – delivering social justice and environmental equity*' which explores this concept in detail<sup>1</sup>.

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<sup>1</sup> Gavin Dufty 'Electricity Pricing – delivering social justice and environmental equity' in *CUAC Forum on Electricity Pricing – Forum Papers*, 17 August 2008, available [www.cuac.org.au](http://www.cuac.org.au).

Should you have any questions about this submission, please contact me on 03 9670 5088.

Yours sincerely

**CONSUMER ACTION LAW CENTRE**

A handwritten signature in black ink that reads "Janine Rayner". The signature is written in a cursive style with a large initial 'J' and 'R'.

Janine Rayner  
Senior Policy Officer