

Consumer Action Law Centre

**Report to the National Consumers Electricity Advocacy Panel (the Advocacy Panel)
Pursuant to Funding Agreement January - June 2008
Application 249**

NEM NETWORK COORDINATOR AND RESEARCHER

1 April 2008 – 30 June 2008

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.

Janine Rayner has been the Project Coordinator during the funding period. Janine is working on the Project jointly with Gerard Brody Director, Policy and Campaign. The Project has additionally been overseen by Consumer Action co-CEO Catriona Lowe.

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 and individual research and submission writing.
- Consumer Action co-ordinated a Climate Change Masterclass in Melbourne on 23 June 2008
- Consumer Action facilitated the 8th National Consumer Roundtable on Energy in Melbourne on 24-25 June.
- Consumer Action released an edition of 'On the Wire'
- Consumer Action hosted and facilitated a teleconference
- 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. NEMCHAT currently has 40 members nationally.

2.2 On the Wire

The seventeenth edition of *On the Wire* was published and distributed on the 4 July. A copy is attached. The next edition will be released in September 2008.

2.3 Roundtables

The second roundtable for 2008 was held on 24 and 25 June in Melbourne and was jointly hosted by Consumer Action and the Consumer Utilities Advocacy Centre (CUAC). The agenda for the Roundtable is attached.

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.

Discussion at the Roundtable focussed on:

- An overview of state based activity within the National Energy Market;
- A Master class debrief to identify the Roundtable's position on the Emissions Trading Scheme including the development of a 'watch list';
- The promotion of a consumer consultative committee with both the AEMC and the AER;
- A review of Demand Side Participation being undertaken by the AEMC;
- The MCE Standing Committee of Officials' consultation paper on the National Energy Customer Framework;
- Energy efficiency programs;
- Strategic planning and the future of the NEM.

Speakers at the Roundtable included representatives from:

- the Australian Energy Market Commission on its review of demand side participation in the national energy market, including the rule change proposal from the Total Environment Centre aiming to facilitate demand management by placing requirements and incentive on transmission companies;
- the chair of the Ministerial Council on Energy's Retail Policy Working Group on the National Energy Customer Framework, relating to legislative amendments proposed to come into operation from 1 January 2010.

An agenda is attached.

The next Roundtable will be held in Melbourne in October/November 2008.

The Roundtable was preceded by a Climate Change Masterclass funded by the Advocacy Panel to provide members of the National Consumers Roundtable on Energy with professional development in relation to the Government's Emissions Trading Scheme and climate change policies. An agenda is attached.

2.4 Advocacy

The Project has undertaken direct advocacy, by seeking meetings and making representations to politicians and government officials. In addition, advocacy activity has included letter writing, meetings and attending workshops with stakeholders, as follows:

- a meeting with Victoria's Energy Minister, Peter Batchelor to discuss the importance of publication of market rates by retailers following price deregulation with an emphasis on ensuring consumers have access to information to make informed choices about energy contracts;
- a meeting with an advisor to Victorian Energy Minister for Energy to discuss the implications of the AEMC's Second Final Report recommendations;
- a number of workshops as part of the Essential Services Commission regulatory review
- attendance at Victoria's Advanced Metering Infrastructure Communications Working Group meetings;

- numerous other meetings and discussions with government officials from the Victorian Department of Primary Industry and the Federal Department of Resources, Energy and Tourism.

In addition, the Project attended meetings of:

- the Essential Services Commission, Consumer Consultative Committee;
- the Energy and Water Ombudsman of Victoria, Case Handling Advisory Committee; and
- the AGL Consumer Council.

The Project also attended the initial stakeholder consultation for the National Energy Customer Framework on 30 June 2008 in relation to the draft national framework for distribution and retail regulation.

The Project has delivered eleven (11) submissions to regulatory processes during the reporting period, included below. Additional submissions were made to the Advocacy Panel.

(a) *MCE - Cost Benefit Analysis of Smart Metering and Direct Load Control: Phase 2 Reports for the Ministerial Council on Energy's Smart Meter Working Group*

Consumer Action commented on the MCE's Phase 2 reports with a specific focus on consumer protection frameworks, meter functionality and the potential short falls of Home Area Networks.

A copy of the submission is attached.

(b) *MCE - Regulatory Impact Statement for the Cost Benefit Analysis of Options for a National Smart Meter Rollout (Phase Two – Regional and Detailed Analyses)*

Consumer Action provided a submission to the MCE's Regulatory Impact Statement for the National Mandatory Smart Meter role out. Our submission primarily raised concerns regarding the cost of smart meters, and the impact of new pricing structures. Our submission also included recommendations that if the rollout is to proceed, it must occur with strong consumer protections. Specifically:

- Hardship policies and other consumer protection and assistance programs (to ensure existing protections are not eroded);
- New mechanisms for identifying households facing financial stress (prior to utilising remote disconnection functionalities);
- Education programs introducing smart meters and innovative tariff structures;
- The ability for consumers to shift between tariff products easily to ensure they are not financially worse off;
- The processes to ensure new tariff structures are passed from network businesses to retailers then to the consumer; and
- Sufficient notice of critical peak events to provide opportunities for a household to respond to the pricing signals of critical peak pricing.

A copy of the submission is attached.

(c) Garnaut Review – Issues Paper – Forum 5, Transport Planning and the Built Environment

Consumer Action contributed to the Garnaut Review through the Issues Paper focusing on Transport Planning and the Built Environment. Our submission highlighted the barriers to energy efficiency including split incentives and low income and raised some policy mechanisms to address these barriers such as:

- Improved mandatory energy efficiency performance standards;
- Improved housing standards;
- Rebates for energy efficiency;
- Tax rebates as incentives for landlords;
- Centralised energy efficiency programs such as the Warm Front program in the United Kingdom;
- A large proportion of funds allocated from the Emissions Trading Scheme revenue; and
- Improved urban planning and design.

A copy of the submission is attached.

(d) Garnaut Review – Emissions Trading Scheme Discussion Paper

Consumer Action also contributed to the Garnaut Review's Emissions Trading Scheme Discussion Paper with an acknowledgement that Australian consumers will pay for the cost of any ETS scheme, primarily through higher electricity bills (but also indirectly through other goods and services). We emphasised that it is essential that care be taken to ensure consumers, particularly low-income and vulnerable consumers, are not unfairly bearing the burden of the costs and that there needs to be complementary policies and protections in place that help consumers manage cost increases and assist them in changing their behaviours. Further to compensatory measures delivered through the revenue accumulated from the trading scheme itself, we recommend that the implementation of an ETS:

- is complemented by a comprehensive consumer protection framework that ensures consumers maintain access to essential services;
- allows consumers, particularly low income and vulnerable consumers, to engage in actions that will reduce their greenhouse gas emissions;
- promotes increased energy efficiency and renewable energy production outcomes; and
- is environmentally robust, so that it will deliver real reductions in greenhouse gas emissions.

A copy of the submission is attached.

(e) Wilkins Review - Strategic Review on Climate Change Programs

Consumer Action participated in the Wilkins Review which comprised assessing measures complementary to an Emissions Trading Scheme. Primarily, while Consumer Action supports the development of an ETS, we do not support a framework that places an ETS at the peak of a

hierarchy of climate change programs. Subsequently, in our submission, we reinforced that it is therefore essential that programs identified as 'complementary' to the ETS:

- Are actively supported to enable them to achieve emissions reductions and are within the reach of consumers;
- Are cost effective;
- Achieve the environmental objectives of reducing greenhouse gas emissions;
- Consider that price signals will not work for all consumers, e.g. low income consumers. Other mechanisms are needed to ensure low-income consumers are able to participate in reducing greenhouse gas emissions but also so they're not unfairly bearing the cost of an ETS;
- Protect consumers from unfairly paying for measures that they will pay for through an ETS. Specifically we are concerned about businesses double dipping (e.g, consumers who pay a premium for green power will also be paying a carbon price for all electricity consumption); and
- Acknowledge the many other policy reasons or benefits for retention:
 - GreenPower provides consumer protection/confidence to consumers when they deal with marketing of renewable energy; and
 - Support/rebates for Solar PV or other embedded generation can have benefits for energy networks that are in the long term interest of the market and consumers.

A copy of the submission is attached.

(e) ACCC carbon offset market consultation

Consumer Action commented on the ACCC's guidance documents regarding the carbon offset market highlighting concerns with:

- Carbon Calculators
- Purchasing Offsets

We also recommended the ACCC cite additional resources for consumer reference.

A copy of the submission is attached.

(f) ESC Submissions

- i.* Consumer Action contributed to the Essential Services Commission's Work Program for 2008-09 recommending the inclusion of increased frequency in water performance reports on hardship issues and faster turnaround times and release of both the energy and water performance reports.
- ii.* Consumer Action commented on the Essential Services Commission's proposed 'Interval Meter Reassignment Requirements' highlighting that consumers will be confused if contacted by the distributor regarding

changes in tariff structure and that any changes to the retail tariff are subject to the Energy Retail Code.

Copies of the submissions are attached.

(g) EWOV submission

Consumer Action commented on the Envegy and Water Ombudsman of Victoria's Case Receipt Policy Review which was assessing whether it should provide consumers with the option of either an investigated complaint by EWOV or a further direct referral to their provider. We supported the option of providing consumers the choice on the basis that it will primarily assist with EWOV's current case load. We did however raise the risks associated with this including the ongoing issues with call centre performance and the potential implications for customers who choose to be referred back to their provider. In addition we recommended a review of their pricing structure for these referrals and ongoing monitoring.

A copy of the submission is attached.

(h) AEMC Demand Side Participation

Consumer Action provided a submission to the AEMC's Demand Side Participation (DSP) issues paper with a focus on the fact that while an increased cost might act as an incentive for some householders to use electricity more efficiently, or make different decisions about their energy consumption and demand, it is our view that overall, the ability of households to do so is limited by a range of structural factors and the need for more complex solutions to overcome these problems providing referral to successful international programs of DSP.

A copy of the submission is attached.

(i) National Electricity Rule change proposal – WACC parameters

Consumer Action provided a joint submission on the the rule change proposal from the Energy Users' Association of Australia regarding WACC Parameter Values, Equity Beta and Gamma. We strongly supported the rule change, noting that the proposed amendments to the equity beta and gamma WACC parameter values are better estimates of the true value of these parameters, compared with the amounts currently fixed by the National Electricity Rules

A copy of the submission is attached.

(i) Advocacy Panel

The Project provided comments on the Advocacy Panel's Funding Budget for 2008/09 and a joint submission the Advocacy Panel's funding guidelines.

As we have previously provided these submissions to the Panel, we have not attached copies here.

