

**National Consumers Electricity
ADVOCACY PANEL**

August 2004 UPDATE

1. Summary of funding decisions at meeting of 28 July 2004

No 61 **Submission to ESC of Victoria on public lighting excluded charges - TransTasman Energy Group** –. The panel noted that the application was withdrawn

No 62. **Study of network connection for, and benefits of, wind farms - Australian Wind Energy Association.** An amended application adding the Eyre Peninsula Regional Development Board having been received the day before our meeting, consideration of the application was not completed. Members noted the dominant industry component of the project. The applicant is reconsidering the application.

No 64. **Southwest Victorian Dairy Industry Project – electricity supply to dairy processing plants/submission to ESCV distribution review.** \$18,000, the sum requested, was approved. The panel noted the involvement of local government. The advocacy was to build on other aspects of the project, however it is to be made independently of two utilities involved in the project.

No 65. Public Interest Advocacy Centre, Sydney, and no 71 Commerce Queensland– fees for an officer of each of these bodies to attend a three-day Conference on “Fundamentals of the Australian Competitive Electricity Industry”. The panel approved these applications to provide training about the electricity market for parties able to represent respectively domestic consumers and Queensland business consumers.

No 66. **Total Environment Centre, Sydney – Application for \$149,880 for a stream of projects about the electricity code, the restructuring of the energy market and related matters.**

The panel approved a grant of \$41,680 principally in respect of the work of a TEC project officer on the project, and for a legal consultant to advise in relation to drafting on the National Electricity Law Bill on the following conditions:

- (1) that the proposed submission is provided to the members of the CLCV network (which is associated with TEC in this application) and that it incorporate any views from the members as well as those of the TEC, and that expenses of up to \$5,000 be granted for the costs of the CLCV and its network members in relation to considering the proposed submission and
- (2) the issue of the Bill recognising the environmental impacts of greenhouse emissions from the NEM was not within the ambit of the review for which funds were provided.

It was not apparent to the panel that the applicant represented industrial consumers. The Business Consumer Representative was to draw the application to the attention of members of his constituency to enable them to contact the TEC, if they wish.

The balance of the application was deferred for further consideration by the applicant in conjunction with Domestic Consumer Representative.

No 67. **South Australian Centre for Economic Studies – appropriate market risk premium for equity investment, when setting WACC.**

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The application, for \$103,840 for a study of the appropriate assumption, when setting the weighted average cost of capital, under the NEC, having regard to contemporary Australian market risk premium in respect of equity investment, was approved subject to conditions:

- (1) as to possible support from CEDA (which has been resolved by CEDA offering a forum for presentation of results),
- (2) that international experience and comparative analysis be included in the project, and
- (3) that an analysis of beta be scoped to enable the applicant to consider how beta issues might affect the project and whether or when a beta project should be carried out.

The panel noted controversy as to appropriate levels of mrp used in distribution and transmission pricing decisions and the need for new research on the subject. The project includes some advocacy and the panel will in addition assist in the dissemination of the report of the research.

No 68. Property Council of Australia, South Australian Council of Social Services and Business SA – augmentation charges

The application for \$67,692, to study the most equitable and efficient model for levying augmentation charges on consumers, using in particular the experience in South Australia, was approved subject to 3 conditions:

- (1) the project should include case studies based on member experience and the recommendations should be tested against the case studies,
- (2) the applicants consult the Farmers Federation in SA, and
- (3) the recommendations should include a plan for implementing them nationally.

No 69. Energy Users Association of Australia. Power trading by entities of the NSW government. An application for \$49,875 for a submission on the proposal of the NSW government to contract out power trading functions, was approved in principle subject to service and quality of supply matters not being included in the funded work and the budget being adjusted accordingly.

No 70 Commerce Queensland and the Energy Users Association of Australia – Queensland distribution review. An application for \$87,000 for submissions on various issues in this review, by the Queensland Competition Authority, including a submission on the draft report of the authority. The application was approved in principle subject to:

- (1) work already funded for previous distribution reviews not being covered by this grant,
- (2) the impact of the proposals on Commerce Queensland and EUAA members being measured and included in the submission.

2. Energy market restructuring

The panel has summarised issues relating to customer advocacy for officials of the MCE secretariat as follows:

- ❖ The Advocacy Panel's work for the last 15 months provides a platform for advocacy in the developing wider energy market.
- ❖ By the Advocacy Panel electricity market participants fund advocacy for those outside, but affected or dependent on the market, namely the customers. The panel is non governmental but accountable under NEC rules and trust-

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like obligations. The two industry representatives greatly help the other three members of the panel with industry knowledge, and in other ways.

- ❖ The panel has processed 88 applications for funding, some 59% of which have been successful, with total grants or commitments of \$846,955.54 last financial year. The quality of the applications, their number and their success rate are all improving.
- ❖ The lessons of our work are first that some advocacy needs to be preceded by capacity building, as for domestic consumers, and as is still required for SMEs, farmers and regions. Secondly, the quality of funded work (which should not be viewed in isolation from the decisions of the ACCC and its counterparts) needs to be improved, but this should follow from the growing pool of applicants and the pool of experts they use, and from some monitoring by us. Thirdly the present advocacy system has itself taken 15 months to develop.
- ❖ The panel is geared to fund submissions on the MCE's projects on regional boundaries, retail and distribution matters, the NEL and the NEC, if necessary by commissioning work which is overseen by a customer group.
- ❖ The panel is able to cover gas but recommends that this first requires a brief study, which the panel could facilitate.
- ❖ CI 8.10 of the NEC, which establishes the panel, warrants minor changes to refer to the new industry regulators.

The panel has been invited to state its own view on the issue of 'advocacy', now on the agenda of the MCE, and which, we understand, embraces the organisation and financing of customer advocacy in the energy market.

Our preliminary view is governed by four aspects of our own organisation and experience: we are a funding body not an advocate; the National Electricity Code requires that when we fund there be diversity in numbers of end users represented, interests represented and issues funded; our own 15 month experience shows that in fact there *are* diverse customer sectors (not just business and domestic), in different stages of organisation, all of which apply to the panel for funds on a variety of issues affecting electricity customers; and, furthermore, on the energy market issues before the council earlier this year it has been necessary for us to organise customer groups to present their views.

Accordingly our present view on the issue of advocacy is that we allow organisations representing energy customers - those we have already funded and those notified by advertising - to apply to the panel for funding on the present issue. We are also able to commission research on the present issue, which we would, where necessary to help expression for all of the wide spectrum of customer numbers, interests and issues that are likely to be held on customer advocacy arrangements under the new regulators covering both gas and electricity.

A decision on organisation of advocacy on these matters will be made in the light of the outcome of the meeting of the MCE of 27 August 2004.

3. Demand related projects.

We recently contacted CSIRO's Energy Technology division for such of their research that may have relevance to customers and, from our point of view, that may relate to the electricity market or the code. They gave us a list of six projects, described as follows:

- Smart spaces for the optimisation of energy use
- Building peak demand rating tool
- Gas engine heat-pump viability
- Smart thermostats trial
- Dual fuel standby genset conversion
- Residential spray condenser cooling.

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A potential market element in these projects is that they may ameliorate demand and in the case of the dual fuel project a further potential market element is the price at which power from standby generators is sold.

The list is available from advocacypanel@axtonjones.com.au . Customer groups with an interest in testing concepts of demand management are invited to consider the projects. The CSIRO contacts are Dr T E. Jones 02 4960 6067, Terry.Jones@csiro.au, or Dr S D White, Stephen.D.White@csiro.au

4. Website redesign

This laborious task should result in the redesigned site going live by 10 September 2004.

5. Energy white paper seminar

A seminar on the government's recent Energy white paper, organised by the Institute for Energy on 29 Sept, 2004 in Canberra, has a spot for a customer response for which the panel has been invited to organise a speaker. The speaker would examine the impact of the proposals in the paper on customers. The speaker (still to be commissioned) will need to liaise with the different customer sectors. People who wish to ensure that a particular sector is consulted are invited to email their interest to advocacypanel@axtonjones.com.au .

6. Next meetings

5 October 2004 in Newcastle – note the date of this meeting has been brought forward from 14 October - and 15 December 2004.

A.Bisits
Chairman
24 August 2004