

From the Chair

Welcome to the first edition of *CAPtions* – a quarterly e-newsletter to let you know about the Panel’s activities, including a list of advocacy and research projects which have been recently approved.

Below you’ll find some highlights from the Panel’s website—which contains a variety of material and information that assist with grant applications.

CAPtions also gives grant recipients a chance to discuss the results and impact of their advocacy and research projects. In the *Advocacy in Action* section, we’ve asked two organisations to talk about the impact of their project:

- From Tasmania, there is Goanna Energy Consulting’s work with small and medium-sized enterprises, charting some of the problems experienced by these consumers as they entered into a contestable energy market, and providing some useful lessons on how to engage those consumers;
- And the Energy Users Association of Australia commissioned research that outlined the lack of confidence felt by large gas customers in negotiating their contracts, and has proposed solutions to address that problem.



With *CAPtions* intended as a resource for consumer advocacy organisations – we’ve asked the national regulators and the AEMC for a list of their processes and reviews within the next six months, to ensure forthcoming opportunities for advocacy are highlighted.

We hope you enjoy *CAPtions*.

Frank Peach

Consumer Advocacy Panel—our website highlights

While the Panel’s website will be redesigned in 2011, the essential information it contains will remain the same, including:

Calendar of Meeting Dates and Application Deadlines:

Located on the Home page, this lays out the dates of the Panel meetings for 2011, with the deadlines for grant applications that precede each meeting.

How to Apply:

This section contains a list of the criteria for grant allocation, as well as downloadable information on : Application Guidelines
 Process for Evaluating Effectiveness of Funded Projects; and also
 a pro-forma funding agreement
 a list of previously funded applications
 the Application Form

Publications from Previously Funded Projects:

In addition to the list of projects that have been funded by the Panel, you can obtain a pdf version of any completed reports, or other kinds of publications arising from these grants.

Links:

Currently located in About the Panel—you can click on links to Ministerial Council of Energy market reform bulletins; Australian Energy Market Operator; National Electricity Rules and National Gas Rules; Australian Energy Marketing Commission; and the Australian Energy Regulator.

Message from the Editor:

We’d welcome any feedback from you on *CAPtions*.

In particular we look forward to hearing from any consumer organisation who would like to share the story of how their grant assisted electricity or gas consumer advocacy, for future editions of *CAPtions*.

Thank you,

Kerry Connors
 Executive Director

To submit a story, subscribe, unsubscribe, or provide a comment, please email:

info@advocacypanel.com.au

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Pass it on!

Please feel free to pass on this newsletter to any individual or organisation that may be interested.

ADVOCACY IN ACTION

Confusion among Tasmania's new SME electricity consumers by Goanna Energy Consulting

From July 2009, around 1600 small and medium enterprises (SMEs) using more than 150MWh of electricity (equivalent to an annual bill of around \$25,000 per annum) were able to choose their energy retailer, as part of the staged deregulation of the Tasmanian electricity market.

Goanna Energy Consulting received a 2009/2010 grant to research the issues faced by these SMEs, in the first systematic examination of the information needs of such consumers. To identify how processes and advocacy could be improved, Marc White of Goanna conducted five workshops with over 80 customers, and engaged a high-level steering committee of industry peak bodies, government and the regulator to help identify the best and most practical measures of assistance.

Published in January 2010, our report highlighted the widespread "scepticism, confusion, and disillusion" among these customers, and detailed the history of poor communication, ambiguous information and perceptions of

monopoly that led to these experiences.

We found the root of this problem was no legislation allowing the Office of the Tasmanian Economic Regulator (OTTER) to communicate directly with these customers. The only letters they received were from Aurora Energy, Tasmania's state-owned and, until recently, only electricity retailer. Many customers therefore either made no choice and reverted to a Deemed Fallback Contract which was then based on the highly volatile spot market, or entered into unexpectedly expensive contracts without being able to accurately compare offers.

Government and OTTER responded quickly to the issues raised by our report. Regulations are now being drafted by Treasury to enable OTTER to directly provide information to customers; and OTTER placed new Fact Sheets on its Power to Choose website – www.power.tas.gov.au, covering such issues as evaluating offers, bill reconciliation, and the decision making process. Additionally, Aurora altered

its Deemed Fallback Contract to a fixed price, rather than one linked to the spot market.

"We found the root of this problem was no legislation allowing the Office of the Tasmanian Economic Regulator (OTTER) to communicate directly with these customers."

While Goanna was delighted with the outcome, looking back, one issue that still stands out is the sheer difference between the consumer advocacy budget in Tasmania and the retailers' budget. It's a \$1 billion a year electricity market – so customers really must band together in order to have more say.

To download a copy of the report, please [click here](#).

Price Transparency in Australia's gas markets: a research paper commissioned by EUAA by Bruce Mountain, Carbon Market Economics

On 12 October 2010 the Energy Users Association of Australia (EUAA) released a research report, funded by the Consumer Advocacy Panel, on price transparency in Australia's gas markets. The research, which was undertaken by Carbon Market Economics (CME), found significant shortfalls in the transparency of prices in the gas markets serving customers in the south and eastern states of Australia.

"The closeness of the gas and electricity markets and their substitutability makes this contrast starker for large energy users, who often use both commodities."

The lack of price transparency is an issue for Australia's largest gas users, who negotiate individual contracts with retailers and, in a few cases, directly with gas producers and shippers, and consequently lack confidence in their contract's competitiveness. A range of government reviews, consultancy reports and statements of government policy over the last decade bear out the continuing lack of information.

A review of the differences between electricity and gas markets that affect transparency demonstrated the following:

- Upstream – gas had very highly concentrated ownership of reserves and production, in comparison to electricity.
- Demand-side – gas had a much smaller number of individually-negotiated sales agreements.
- Wholesale spot markets – excepting Victoria, there were no coordinated gas markets – electricity's is mandatory and centrally cleared.
- Forward and futures markets – none existing for gas – but well established for electricity.
- Transmission access – gas has some published tariffs but most are negotiated – while electricity has published regulated tariffs.
- Contract duration – gas contracts are seldom shorter than five years, while electricity contracts are seldom longer than three years.

The closeness of the gas and electricity markets and their substitutability makes this contrast starker for large energy

ADVOCACY IN ACTION**EUAA's gas price transparency paper—continued from page 2.**

users, who often use and purchase both commodities. A manifest example in the EUAA's report is the issue of concentration in gas resource ownership, production and retailing in Queensland, New South Wales, Victoria and South Australia—which in all cases was found to be dominated by just one or two producers and, at best, three retailers. The report also assessed the efficacy of the Short Term Trading Market and Gas Market Bulletin Board in improving transparency, and concluded neither would address major gas users' fundamental concerns.

Finally, the report recommended several initiatives for achieving greater transparency – including the creation of a major gas users online Bulletin Board, on which users would regularly post the prices they are actually paying for gas. It also called for such users to provide both strong support and leadership for any measures that would narrow the gap between gas and electricity price transparency.

To download a copy of the report, please [click here](#).

Recent grants approved—reflecting greater diversity and funding

The Panel has funded 19 advocacy and capacity-building projects so far in 2010/2011, totalling just over \$1.7 million. Continuing the trend of previous years, the Panel has received applications from an increasingly diverse range of organisations, enabling the interests of a broad range of consumers to be heard in policy and regulatory decisions.

The Panel provides funding to consumer organisations to enable them to participate in the wide range of national and jurisdictional policy and regulatory decisions through two grant programs. It provides funding to build capacity in consumer organisations to enable them to build their advocacy on behalf of their members and constituents.

In addition, the Panel approved the following grants to undertake discrete advocacy projects:

- Ethnic Communities Council of New South Wales: advocacy October 2010 – June 2011 (\$22,000)
- Alternative Technology Association: Consumer representation on the National Smart Meter Program National Stakeholder Steering Committee (\$23,315)
- Queensland Council of Social Service: submission to Queensland Competition Authority Benchmark Retail Cost Index draft decision (\$10,000)
- Consumer Utilities Advocacy Centre: Overcoming the information asymmetry: Approaches to improving customer participation in the energy retail market (\$44,700)
- 100% Renewable Community Campaign: Regional and rural Australia Energy White Paper project (\$62,000).

The Panel also provides funding to organisations with an established track record in national Energy Market (NEM) advocacy, through its global advocacy funding program. The following organisations received grants to support their advocacy within a range of identified strategic priorities from 1 July 2010—30 June 2011.

- Total Environment Centre (\$127,000)
- Australian Council of Social Service (\$143,000)
- Alternative Technology Association (\$103,338)
- Consumer Action Law Centre : advocacy and National Consumers Roundtable on Energy meetings (\$217,226)
- Major Energy Users Inc (\$206,000)
- Energy Users Association of Australia (\$206,000).

Finally, the Panel has approved capacity-building grants to the following organisations over 2010/11:

- Tasmanian Council of Social Service (\$39,340)
- South Australian Council of Social Service (\$109,080)
- UnitingCare Australia (\$100,000)
- Kildonan UnitingCare (\$102,102)
- Central Victorian Greenhouse Alliance Inc. (\$36,000)
- QUT Credit and Consumer Law program (\$135,354).

**FOR REGULAR UPDATES, GRANT
GUIDES & FAQs, ETC
SEE OUR WEBSITE:**

www.advocacypanel.com.au

Forthcoming opportunities for advocacy—November 2010-July 2011

The following provides an outline of forthcoming regulatory and policy decisions from the AER and AEMC that enable consumer groups to identify opportunities to influence outcomes for consumers. Dates are correct at the time of publication. Look out for the next edition of *CAPtions* in early 2011 for a new update of opportunities.

Projects	Stages	Dates
AER		
Regulatory determinations – resets		
Qld/SA gas distribution (APT Allgas, Envestra (Qld), Envestra (SA))	draft decision final decision appeal	Consultation period (Oct-26 Nov 2010) Consultation period (March 2011) Subject to intervention rules for appeal (June 2011)
Amadeus Basin gas transmission	draft decision final decision appeal	Consultation period (Jan-Feb 2011) Consultation period (March-April 2011) Subject to intervention rules for appeal (Aug 2011)
Powerlink electricity transmission	draft decision final decision appeal (beyond 2011)	Consultation period (June-July 2011) Consultation period (Dec 2011-Jan 2012) Subject to intervention rules for appeal
Aurora electricity distribution	draft decision final decision appeal (beyond 2011)	Consultation period (June-July 2011) Consultation period (Dec 2011-Jan 2012) Subject to intervention rules for appeal
Roma to Brisbane gas transmission	draft decision final decision (beyond 2011) appeal (beyond 2011)	Consultation period (Oct-Nov 2011) Consultation period Subject to intervention rules for appeal
Regulatory determinations – ad hoc		
Pass thru - Energy Australia – solar bonus		No definite consultation dates yet due to extension
Guideline development		
Connections electricity distribution	timeframes subject to NECF legislation	No definite consultation dates yet
STPIS amendment – Powerlink	proposed scheme	Consultation period (3 December + 30 business days)
STPIS amendment – Full review	issues paper proposed scheme	Consultation period (December 2011)
AEMC		
Market Reviews		
Use of Total Factor Productivity for determination of Prices & Revenues	consultation on draft report	Submissions due 10 February
Effectiveness of competition in the ACT electricity market	consultation on draft report	Submissions due 10 February
Rule Changes		
Network support and control ancillary services	preparation of draft report	Submissions due 10 February
Inter-regional transmission charging	preparation of draft report	Submissions due 21 January
Scale efficient network extensions	preparation of draft report (to be published 10 February)	Submissions due 31 March
Reliability Panel		
Reliability and Emergency Reserve Trader	consultation on draft report	Submissions due 10 February