

Consumer Advocacy Panel

RESEARCH AGENDA 2008/09 - PROPOSED PRIORITIES

DISCUSSION PAPER FOR STAKEHOLDER COMMENTS

21 April 2009

Background

As of 1 July 2008, the Consumer Advocacy Panel can fund research into consumer energy issues to an amount of no more than 25% of the Panel's total budget, and within its funding criteria (detailed in Appendix A).

The Panel has developed two research programs in 2008/09:

- o Research initiated by other organisations: the Panel has provided funding totalling \$96,400 (exc. GST) to consumer organisations and academic institutions to undertake research on electricity and gas issues; and
- o Research initiated by the Panel: in its 2008/9 budget, the Consumer Advocacy Panel committed a total of \$108,000 for Panel-initiated research in consumer electricity and consumer gas issues.

This paper outlines the Panel-initiated research agenda, detailing the purpose and criteria for determining research projects. It also proposes some priority research projects for consideration by the Panel's key stakeholders.

The Panel invites stakeholders to comment on the identified priorities, including putting forward other preferred projects - and the rationale for that change - where they believe there are other projects of greater assistance to consumer advocacy organisations.

While the Panel will finalise the research agenda at its next meeting on 14 May 2009, it also invites interested organisations to submit a grant application to undertake the research priorities of gas pricing and rural consumer issues.

The Panel requests feedback from stakeholders be received by close of business 1 May 2009.

Submissions should be directed to the Panel's Executive Director, Kerry Connors, at info@advocacypanel.com.au.

Purpose of research

The Panel will undertake research for the following purpose(s):

1. To raise awareness of emerging consumer energy issues;
2. To provide information that can be used to facilitate consumer advocacy; and
3. To stimulate discussion or debate on consumer energy issues.

Criteria for selection of potential areas for research

In choosing issues, the following criteria have been used:

- o Projects directly enhance advocacy by consumer organisations;
- o Projects are of broad benefit to a number of classes of consumer organisations; and
- o Projects add value and do not duplicate other work underway.

Possible projects

1. Landscaping consumer energy issues 2009-2014: identifying priorities and risks

What's the problem to be addressed?

The energy sector has been characterised by rapid reform, a pace that has accelerated in the past year. Identifying priorities and risks for consumer advocacy organisations has become a more complicated exercise since the introduction of policies to address climate change, compounded by a heavy ongoing work program for national energy market reform, and increased pressures on energy consumers through rising prices.

There are two developments pertaining to the work of the Panel that make this project of value to informed decision-making:

- The likelihood that demand for funding will increase, driven by increased interest from a broader range of consumer organisations as energy costs rise and the impact of climate change response on consumers, which means that the Panel will increasingly have to prioritise grant applications; and
- The Ministerial Council on Energy has advised the Panel that it will seek a three year forward estimate as part of the Panel's annual budget, which will require an indication of likely demand over that period.

Objectives of research

- To secure consensus among key stakeholders on the priority consumer energy issues for the next 5 years, in order to
 - Inform the Panel's consideration of grant applications and how it prioritises projects
 - Facilitate a dialogue between consumer advocates, the Panel, government, and regulators.

Methodology

A workshop will be convened by the Panel, and facilitated by an independent consultant.

Attendees will include the Panel, consumer representatives, representatives from the AEMC, AER and perhaps a jurisdictional regulator, one or two of the energy ombudsman, representatives from the Commonwealth government, some representatives from jurisdictional governments, and energy industry peak body representatives.

Given the proposed format, the Panel anticipates it will manage this process, and so is not inviting grant applications to undertake this work.

Outputs

- Report outlining the main issues identified by the workshop, and an indication of the discussions.

Outcomes

- Broad understanding of direction of consumer energy issues among key decision-makers.
- Panel provided with information to make more accurate forecast on demand going forward.
- Panel able to prioritise grant applications more easily.

2. Gas pricing – identifying cost drivers and likely impact on consumers of increased prices

What's the problem to be addressed?

Gas prices are expected to come under increasing pressure, driven by increased demand as gas for business and residential consumer usage competes with gas-fired power generation, Australian consumers potentially compete with international consumers, and governments encourage greater uptake of gas appliances as part of a climate change response.

There has been speculation that prices could triple or quadruple in a reasonably short space of time, raising concerns about affordability going forward. Apart from the financial burden of increased prices, consumers also run the risk that they could be stranded with appliances / assets that are expensive to use, and they cannot afford to replace.

Objectives of research

- To outline the cost drivers for gas prices, and identify the conditions in which they will push prices upwards.
- To produce scenarios and timelines indicating how and when wholesale / retail gas prices will increase
 - including the impact on classes of consumers.

Methodology

The Panel envisages that the research would be primarily a desktop exercise, building on the successful tenderer's expertise, although the likelihood of certain scenarios could be tested through interviews with key experts from within the gas industry, consumers, government and selected jurisdictional and national regulators.

Outputs

- Report outlining the likely scenarios and timelines for price increases
 - Outlining potential impact on classes of consumers.
- Researcher to present seminar on report findings for consumer organisations.

Outcomes

- Better informed consumer input to government policy development about fuel choice in climate change policy responses.

3. Identifying rural consumer issues in the National Energy Market (NEM)

What's the problem to be addressed?

Issues rural consumers face that are different from metropolitan consumers include: access to competition – which might be exacerbated by the economic downturn as retailers seek to unload certain consumers, or stop marketing outside densely populated areas; reliability and quality of electricity supply, and the capacity to influence/inform network investment decisions; impact of restricted fuel choice; and lack of access to decision-makers. It is likely that consumers in different jurisdictions will share some similar problems, but may prioritise issues differently.

There has been little systematic analysis across the NEM of rural consumer issues, by class of consumers or by region. There has been work done in some jurisdictions, but for the most part consumer organisations have not had the mandate or resources to investigate rural consumer issues systematically. Policy-makers and regulators are not well-informed about rural consumer issues, and have limited incentive and resources to investigate them.

Objectives of research

- To enhance the capacity of rural and national consumer advocates to represent the interests of rural consumers in policy and regulatory decisions.
- To produce a systematic outline of rural consumers' issues to feed into decision-making.
- To engage rural and regional consumer organisations into the debate, and alert them to information and advocacy networks that would facilitate their involvement.

Methodology

The most effective method of undertaking this research is likely to be for organisations with well-established networks in a jurisdiction to hire or deploy a staff member for 3 months who could undertake a series of visits in their jurisdiction, and then write a report outlining the range of issues. The researcher should provide to the Panel a list of all the organisations/individuals contacted, for inclusion in the Panel's list of stakeholders.

The Panel advises potential applicants to consider carefully how this project could work given other competing demands on the research agenda, and so applicants should minimise costs wherever possible. Budget constraints also mean it is most unlikely that research in all jurisdictions would be able to be funded in one financial year, so the Panel welcomes applications to investigate one or two State or Territory for 2008/9. Applicants are welcome to indicate their willingness to be considered for further work.

Reports about NSW and Queensland rural consumers would be of interest to the Panel.

The same methodology need not be used in all jurisdictions, and should reflect previous work.

It is anticipated that, for the purpose of input to national processes, individual jurisdictional reports would be coordinated into a single report which identifies the common issues, and proposes some broad steps forward to resolve or progress issues. That may be the subject of a separate research grant in a forward financial year.

Outputs

- Report from each State outlining the main rural issues in that jurisdiction for circulation to jurisdictional and national policy-makers and regulators, and jurisdictional and national consumer organisations.
- National report identifying common issues.

Outcomes

- Better informed decision-making by policy-makers and regulators around access to infrastructure, benefits of competition, and ensuring consumer protections are appropriately targeted.

Next Steps

The Panel welcomes feedback from stakeholders on

1. the suitability of the priorities outlined above; and
2. if there are other research projects you consider to be more important to consumer advocacy organisations, and why they should take priority.

The Panel is also willing to consider grant applications pertaining to the above priorities. The grant guidelines and application form are available at the Panel's website www.advocacypanel.com.au.

All submissions should be sent to Kerry Connors, Executive Director, Consumer Advocacy Panel, by email to info@advocacypanel.com.au by close of business 1 May 2009.

Appendix A: Consumer Advocacy Panel funding criteria

To be eligible for funding a project must address national electricity and/or gas market issues as follows:

Electricity Projects

A project intended to benefit consumers of electricity should –

- (a) relate to the development, design or operation of, or policies associated with, the national electricity market or the retailing of electricity, or relate to other issues covered by the National Electricity Law or the National Electricity Rules; or
- (b) directly relate to an aspect of the responsibilities of the AER, the AEMC or NEMMCO under the National Electricity Law or the National Electricity Rules; or
- (c) have some other relevance to the national electricity market or the retailing of electricity, when viewed as a whole.

Gas Projects

A project intended to benefit consumers of gas should –

- (a) relate to the development or operation of gas pipelines, or policies associated with obtaining access to gas pipelines, or relate to other issues covered by the National Gas Law or the National Gas Rules; or
- (b) directly relate to an aspect of the responsibilities of the AER or the AEMC under the National Gas Law or the National Gas Rules, or the responsibilities of the Economic Regulation Authority under that law or those rules in Western Australia; or
- (c) have some other relevance to the national gas market or the retailing of gas, when viewed as a whole.