

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

September 2003 Update

1.0 Report on Applications

The panel met on 21 August 2003 in Canberra and dealt with 15 applications.

1.1 Exigency Management Pty Ltd

This company, through energy market specialists Stuart Allinson and Adrian Palmer, proposed to study and assess the availability and usefulness of connection and network charge information provided by 13 LNSPs in the national electricity market, from the perspective of 3 types of business consumer, the property developer, the manufacturer and the services provider. The study would be publicised in various ways with a view to enabling business end users to better negotiate connection and network charges. The applicants propose to agree the actual form of advocacy with the panel. Total projected cost was \$98,800.00, of which \$69,160.00 was sought from the panel.

The main issues considered by the panel on the application were: (i) that the subject of the application had not previously come to the panel. The panel welcomed the application because if granted it would add to the diversity of customer interests that the panel is required to foster; (ii) that although connection requirements were made by the states, it was thought that they have a relation to the national electricity market by means of practices or precedents and because the business customers themselves operated or could operate in a national market and choose which state in which to carry out businesses which required connections; (iii) that the project deal with an actual problem with the potential for giving benefits to a reasonable number of business customers. Thus to supplement the concerns described in the *Australian Financial Review* of 20 May 2003 (which the applicant had referred to the panel), the panel considered that the applicant should be asked to provide endorsements for the project from appropriate business bodies; and (iv) the funding be at a reasonable level by comparison to other applications involving lower overall expenditure and also to panel members' own experience of the cost of in-house work. Thus it was considered that the applicants might wish to review the amounts claimed. The application will be dealt with after further advice from the applicant on these matters.

1.2 Institute of Public Affairs

An application to fund a study into the link between the Vencorp market rules and the NEM as it relates to investment in gas peaking plants in Victoria. The study would be conducted by Dr Alan Moran at the IPA and Mr Max Kimber, a specialist in the gas and gas pipeline industry. The total project cost was \$130,755.00, of which \$91,529.00, or some 70%, was claimed.

The panel saw merit in the project but considered that the major beneficiaries of the study in the project would not be end users directly but those wishing to develop gas generation plants or the supply of gas to them. The panel considered that other benefited parties should pay for some two thirds of the cost of the project claimed. This approach will also confirm the practical need for the proposed study. The panel would look at the matter again after this other source of financing was explored.

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

1.3 Energy Users Coalition of Victoria and Electricity Consumers Coalition of SA; Energy Users Association of Australia and Energy Markets Reform Forum

The panel considered the two applications of these bodies together. EUCV and ECCSA's application was to assess the impact of price volatility on end use customers in the NEM. The project was to be carried out by Dr Robert Booth of Bardak Ventures Pty Ltd. The proposed budget was \$68,000.00 of which \$47,600.00, some 70 %, was claimed.

The other application, by EUAA and EMRF, also to be carried out by Dr Booth, was to identify the extent of market power in the NEM and to analyse the performance of the market to determine the extent of competitive and non-competitive outcomes. The study was also to consider the merit or otherwise of augmenting existing interconnections. It was stated that wholesale price volatility caused by price spikes was a major area of concern for end users. The proposed budget was \$83,000.00 of which \$61,200.00, some 70 %, was claimed.

The panel extensively debated these two applications, which were considered together.

Criterion 1 of the panel's criteria for allocating funds says that the funds are to be available for "advocacy" of the interest of electricity consumers. Criterion 3.1 (c) indicates that there must be benefits to end users as a result of the advocacy. The advocacy referred to in these criteria requires a body to whom a case would be advocated. The body could be the ACCC or one of its state counterparts when it is conducting an inquiry in relation to the National Electricity Code. Where an inquiry is not being held it would still be possible to advocate a case to one of these bodies, or to others, such as NECA or ministers, but in that situation it has to be apparent that the case has a reasonable chance of attracting their attention.

In the panel's majority view the matters the subject of these applications had as recently as December 2002 been considered in (i) the Parer Report on national energy market reform and (ii) in a determination of the ACCC on changes to bidding and re-bidding rules in the NEC; and during 2002 in (iii) three reports to the ACCC, by Bardak Ventures, IES and McLennan Magasanik Associates. There was no current formal enquiry to whom the matters the subject of the application could be put. The panel also took into account the communiqué of the Ministerial Council on Energy of 1 August 2003. This lists six major areas of energy market reform but price volatility and market power are not featured.

Thus it did not seem to the majority of the panel that either project would involve effective advocacy. The inquiries and reports last year, the competition from the very major matters listed in the communiqué and the need to reopen matters investigated just months ago, suggested to the majority that it would be very difficult to generate interest in regulators, governments or ministers in the proposed projects.

The minority view of the panel was that the authors of both of these applications should be given a list of concerns and questions, including about the Parer and the ACCC reports, and then be permitted to present to the panel their responses at its October 3 meeting.

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

The panel did not approve these applications.

1.4 EUAA and Energy Action Group

These applicants jointly sought \$165,900.00 to make submissions to the Independent Pricing and Regulatory Tribunal of NSW on the 2004 electricity network review.

The principal issue for the panel about this application was its lateness for a review which had been under way for several months and for which the closing date for detailed submissions was understood then to be 4 July 2003, more than six weeks before the panel's meeting. In the light of this lateness the panel declined to approve the application. However the panel was also concerned by the quantum of the application, by comparison to other applications before it and was also concerned as to how the 70%: 30% requirement would be met. Subsequent to the meeting the applicants sought reconsideration of part of the application relating to submissions that could be made during the month of September before a newly fixed deadline of 3 October. On 29 August the panel decided to grant the application for this part, in the sum of \$50,000.00.

1.5 Consumer Consultative Committee of ACCC

This was an application for this committee, co-ordinated by Consumer Law Centre Victoria, to harmonise or participate in the harmonisation of certain retail electricity codes. The initial project cost was \$125,212.00 and the amount sought was \$87,308.00. This was subsequently amended by the applicant to \$58,152.00.

The panel considered whether the project would benefit consumers. It was given to understand that the differing codes act as a barrier to competition and to entry to the market. The harmonisation could thus have a market benefit for consumers, in addition to benefits arising from review of the terms of the codes themselves. The panel noted the work being done by regulators on this matter and envisaged that the work of the applicant would tie in with this. The panel approved the application in the further reduced sum of \$48,352.00 subject to conditions to establish all the members of the applicant committee and to the members endorsing the project, and for the budget and time frame of the application to be restated.

1.6 CLCV and Monash University Centre for the Study of Privatisation and Public Accountability

In the words of the application for this project it would analyse and answer the question "To what extent have reforms in the NEM resulted in improved services, lower prices, greater access for consumers and approved accountability"? The project also proposed an advocacy strategy based on the analysis. The cost of the project was \$88,000.00, in which \$62,500.00 was sought from the panel.

The main matters considered in determining this application were these: (i) it was not apparent to the panel how an assessment of the whole of the national electricity market could be undertaken for a cost of \$88,000.00 spread over a whole year; (ii) the analysis proposed to compare, on the one hand, present electricity prices, access and quality and other matters to, on the other, those that existed before the "reforms to the NEM", even

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

though the NEM has not yet been reformed; and (iii) a before-and-after study is a complex matter and would have to be scoped more precisely than set out in this application.

The application was not approved.

1.7 Moreland Energy Foundation

This was a project to investigate consumer expectations about electricity use and demand management, to outline smart metering and load management technologies and to investigate the most effective ways for small consumers to use their energy consumption. The total budget was \$139,856.00 of which \$97,300.00 was sought from the panel.

The applicant was established by Moreland City Council, in Melbourne, with the objective of managing energy consumption by small consumers. The applicant also included "Community Power", a body which includes Moreland Energy Foundation and three Melbourne local councils. Community Power works in conjunction with AGL in retailing electricity.

After consulting the applicant about the application it was indicated to the panel that it should discuss the application rather than actually determine it.

The panel considered the applicant foundation favourably. The present application had elements of social research which appeared outside the panel's criteria. Aspects of the application relating to interval metering could possibly be developed as advocacy within the panel's criteria.

1.8 Total Environment Centre

An application to study certain demand side management matters, including those relating to transmission network augmentation in Sydney's CBD and certain DM tendering processes in Victoria. The project was to be conducted by Dr Rob Roy and Mr Graham Mawer of Next Energy.

The panel noted that the project costs were moderate. The panel approved the project subject to conditions to focus on the Sydney and Victorian matters and to define the advocacy aspects of the project.

1.9 Western Research Institute

This was to be a study of the effectiveness of retail competition in rural and regional Australia, particularly western NSW. The aim was to increase consumer participation in the electricity market and to promote the interests of rural and regional customers.

The domestic customer representative and the chairman both discussed the application with the applicant. The application was subsequently withdrawn.

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

1.10 Energy Action Group and Conservation Council of South Australia

It was proposed to establish an electricity industry library and to disseminate material to interested parties. The project was to last one year and the total cost of \$132,000.00. \$112,200.00 was sought from the panel. It was foreshadowed that an increased amount would be sought for a second year for the project.

In its discussion of this application the panel noted that some participants in the electricity market, including one generator and one retailer, do not have a library at their disposal on electricity industry matters but in practice obtain information from the internet together with some subscriptions. A further view was that there could be a need for centralised information on the electricity industry for electricity consumers but this is a specialist area which needs to be looked at by a specialist librarian. Another view was that libraries themselves are specialist undertakings and as a first step there needs to be a scoping study on the proposed library, which could deal, amongst other things, with the issue of subscriptions to be held by the library, users or members of the library and financing of the library. The panel considered that the application should not be approved.

1.11 Energy Action Group

The EAG proposed to employ a specialist in South Australia at a total cost of \$129,030.00 and to make submissions to the Distribution Price Review of the Essential Services Commission of SA at a cost of \$44,770.00.

The panel viewed the applicant as essentially a Victorian body proposing to represent South Australian domestic electricity consumers to the review being conducted in South Australia. It was noted that there are two consumer representative groups in South Australia, albeit sponsored by the government there. The proposed review is to be a major inquiry and the panel was concerned that local groups representing domestic consumers have the opportunity to be considered for funding.

The panel arranged for two of its members to confer with ESCOSA on the handling of domestic consumer submissions to the review. The panel decided not to approve the present application until the panel itself had decided how domestic consumer applications for the review should be handled.

1.12 Energy Users Association of Australia

The applicant proposed to increase its servicing of business customers in Queensland with the employment of an additional consultant, seminars, advocacy and other matters at a project cost of \$270,000.00 over 18 months. \$189,000.00 was sought from the panel.

The panel noted that the project would target Queensland's 50 largest electricity consumers. It was considered that a grant of the magnitude sought was not necessary in order to help these businesses organise themselves in relation to the national electricity market. The overall cost of the project was considered to be excessive and the application was not approved.

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

1.13 Energy Users Association of Australia, Australian Business Council for Sustainable Energy and Energy Action Group

The applicants proposed a day long seminar for certain parties with interests in demand side projects and for a plan of action (a road map) based on the seminar. These activities were projected to cost \$19,800.00 and the funding sought from the panel was \$13,800.00. The panel considered that although the amount sought was not excessive, still the proposed workshop was for the purpose of organising future action amongst a closed group rather than advocacy of the interests of end users as such.

The application was rejected.

1.14 Energy Users Association of Australia

The applicant sought \$522,900 over three years (of a budget of \$745,700) to employ a specialist on NEM issues relevant to end users. The panel supported the proposal and granted the application in the amount of \$130,000 for the first year and, subject to money being available in the panel's budget and to CPI adjustment, also for a second and third year. The annual sum is to be paid in three instalments preceded by reports on advocacy by the specialist employed. It was noted that the funding was for a new position and not for an existing employee.

2 Other proposals to the panel for discussion rather than determination

EWN, the publisher of Electricity Week, sought the panel's response in funding some or all of \$90,000.00 per annum for the establishment and operation of a "National Energy Press Club" which would be modelled on the National Press Club. The panel considered the proposal but did not support it.

The panel had a proposal from Energy Action Group that the salary of the vice president of the group be paid for 12 months. The panel noted that this proposal was different to ones where it had provided funds for new positions or for capacity building. The proposal was not favoured.

3 Provision for funds of the panel over the next 3 years

The panel at its meeting on 21 August considered in principle that its provision for funds for 2004 – 2005 should be \$1.1m, for 2005 – 2006 \$1.2m and for 2006-2007 \$1.1m. At present the panel receives \$1m per annum collected from certain market participants since October 2001. These funds totalled \$1.88 million to the end of August 2003. Grants and commitments total \$535,552. The panel is anticipating that a number of categories of applications to the panel, including those about transmission and distribution, are likely to grow; it is also expecting new applications about environmental matters and national regulatory issues. We also expect an increase in applications as the panel becomes better known.

NATIONAL CONSUMERS ELECTRICITY ADVOCACY PANEL

A draft report on the provision of funds for the next three years, which is required by cl 8.10.3(a) of the NEC, will be published by the panel after its next meeting. Under the code consultation procedures the public may make submissions on the report which the panel is required to consider before the report is finalised. It may be noted that there is a separate procedure for determining the panel's annual budget.

4 Reporting back to business and domestic consumers

The panel has now determined 25 applications for funding. At the panel's next meeting, on 3 October 2003, it will consider its experience with these applications and also the way it may report back to the end users in whose interests it exists.

Apart from the chairman, the panel members are representatives of sectors of the electricity industry. However the NEC does not have any provisions about reporting back to the sectors represented nor is reporting back governed by the terms and conditions of appointment of representative members. Issues for the panel to consider include whether the reporting back should be by representatives or by the panel as a whole and, particularly for the business and domestic customers, how the reporting should be facilitated.

5 Applications to the panel

The requirements of an application for funds are set out in criterion 3 of the panel's criteria for allocating funds, but at present there is no application form. To assist applicants address all relevant criteria an application form will be considered at the panel's next meeting, and, if approved, published on our website after that meeting.

6 Next meetings

3 October 2003 in Melbourne and 11 December 2003 in Brisbane.

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