

October 2004 Submission to:

Ministerial Council on Energy

Standing Committee of Officials

National Framework for Electricity & Gas Distribution and Retail Regulation - Issues Paper

Background & Introduction

This submission has been prepared by Andrew Nance. I am employed by the South Australian Council of Social Service (SACoSS) through a successful NEM Advocacy Panel funding application (at approximately 0.5FTE), represent SACoSS on the AGL National Customer Council and represent the Conservation Council of SA (CCSA) on the Consumer Advisory Committee of the Essential Services Commission of South Australia (ESCoSA CAC). I am also an active member of the community based Western Region Energy Group (WREAG) and have been active on energy market issues since 2001.

However, it has not been possible to have this submission endorsed by either SACoSS, WREAG or CCSA due to the large number of concurrent energy activities in SA (Retail Electricity Price Path Inquiry, Electricity Distribution Price Review, Consultations on Pre-Payment meters, development of a state greenhouse strategy and others), recent AGMs at both CCSA and SACoSS and the very limited resources available for energy consumer advocacy in SA. The views and comments presented here are therefore those of the author and not necessarily those of any of the mentioned organisations.

As a result, this submission will be quite brief and somewhat unrefined. It is hoped, however, that this submission will convey some of the frustrations currently felt by small consumer advocates in the NEM.

Key Points

- SA, with the highest residential electricity prices in the NEM (25% increase upon the introduction of FRC), is witnessing a dramatic increase in numbers of a group of households referred to in this submission as 'vulnerable'. By vulnerable, we mean vulnerable to losing access to the 'essential service' of energy (ie disconnection from electricity or gas) or vulnerable to having to forego other essentials (such as food, health care etc) as a result of allocating limited financial resources to meeting rising energy costs. Often these households will have low income but may be otherwise disadvantaged due to age, poor health, low levels of literacy and numeracy, cultural and other factors.
- While reforms continue to ignore the existence of this group of consumers and target the 'average' consumer, these vulnerable households will continue to be failed by the 'market' and many families will continue to suffer unnecessarily. As the Issues paper acknowledges, then seems to forget, Electricity and Gas are essential services.
- We have such little information on what is happening to residential consumers (and vulnerable consumers in particular), it is impossible to offer any support to shifting control outside of the state (to what appears to be an unelected, unaccountable bureaucracy). It is recommended that the SCO inquire into residential disconnection rates in SA since the introduction of Full Retail Contestability (FRC) on January 1st, 2003. Further it is suggested that the SCO inquire into why, over 18 months later, no meaningful data has been released into the public domain. Further, it is suggested that the SCO inquire into how many fatal housefires have occurred in SA in homes

disconnected from electricity for inability to pay since FRC - and then maybe ask why there have been no inquiries or actions in response.

- When they do, the SCO will reveal some very disturbing information (unable to be reproduced here due to the information remaining confidential to retailers and regulators). Energy reform and the impact on vulnerable households is out of control, yet this is an issue largely ignored by the issues paper.
- It is not the intention of this submission to argue one way or the other about the prospect of competition benefiting all consumers on AVERAGE in the longer term. It is clear, however, that competition in itself has and will offer nothing positive to these vulnerable households - and that current safety nets and concession regimes are doing little to stem the tide of disconnections.
- This Issues paper offers nothing for 'vulnerable' consumers. It is asserted that, without a more detailed analysis of the potential impacts and complementary measures that would compensate for the impact on vulnerable households, further action on the EMR process is potentially negligent. The fervent pursuit of 'competition' and 'economic efficiency' while a growing number of households are simply 'falling off the edges' can not be justified at this or any other time.
- To assert that the overarching objective of the EMR process and the resultant new institutions is the 'long term interest of consumers' yet not allow the likes of the AER to consider social and environmental objectives (as it represents a distraction from its core business of 'economic regulation') is a pretty sad indictment of the forecast capabilities of the organisation.
- Exaggerating the frustration with the MCE Energy Market Reform Process is the timing of this and other consultations. Why is it that a 200+ page Issues Paper on an issue as significant as developing a National Framework for Retail and Distribution Regulation of Electricity and Gas is being conducted PRIOR to the work on developing consumer advocacy in the NEM? The dysfunctional nature of the current advocacy arrangements (and subsequent capacity in the jurisdictions) is widely acknowledged by EMR Officials yet, to add insult to injury, submissions on this issues paper are due before even the earliest discussions on improving consumer advocacy.
- There has been no convincing argument presented that this latest attempt to rearrange the deckchairs on the Titanic will actually provide any tangible benefit to consumers. This industry has an impressive ability to capture and retain any efficiency gains and manufacture new elements of risk for which consumers must reward them for managing. Where's the cost-benefit analysis? The Exec Summary of the Issues Paper (p12) states: "The benefits arising from these reforms are expected to flow to end users and the community as a whole". Why has it been so difficult to attempt to quantify and assure some figures? Why are we being asked to tinker with details when there's no guarantee of benefits to anyone other than simplifying the compliance effort of the industry? This market is supposed to be for consumers is it not?

Regards,

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