



## Council of Social Service of New South Wales

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8 February 2013

Australian Energy Market Commission  
P.O. Box A2449  
Sydney South NSW 1235

Dear Sir/Madam,

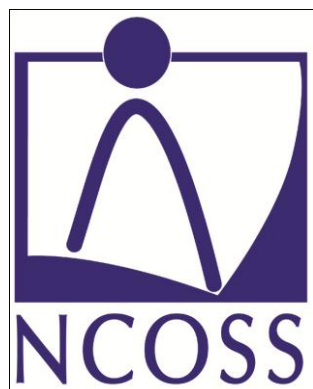
Thank you for the opportunity to comment on your Issues Paper: Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales (Reference: RPR0001).

NCOSS looks forward to receiving your report on the results of the stakeholder consultations.

If the Commission has any questions regarding our submission, or would like to discuss further, please contact Robyn Edwards, Senior Policy Officer on 9211 2599 ext. 128 or [robyn@ncoss.org.au](mailto:robyn@ncoss.org.au)

Yours sincerely

Alison Peters  
Director



**Submission to the  
Review of Competition in the Retail Electricity and  
Natural Gas Markets in NSW**

**February 2013  
Council of Social Service of NSW (NCOSS)  
66 Albion Street, Surry Hills 2010  
Ph: 9211 2599, Fax: 9281 1968**

## **About NCOSS**

The Council of Social Service of NSW (NCOSS) is the peak body for the non-government community services sector in NSW.

NCOSS has a vision of a society where there is social and economic equity, based on cooperation, participation, sustainability and respect. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving this vision in New South Wales.

Established in 1935, NCOSS is part of a national network of Councils of Social Service, which operate in each State and Territory and at the national level.

NCOSS membership is composed of community organisations and interested individuals. Member organisations are diverse including unfunded self-help groups, children's services, registered training authorities, emergency relief agencies, chronic illness and community care organisations, family support agencies, housing and homelessness services, mental health, alcohol and other drug organisations, local indigenous community organisations, church groups, peak organisations and a range of population-specific consumer advocacy agencies.

## Recommendations

1. The three key issues which need to be addressed for residential customers in the NSW energy market are affordability, consumer protections and improved consumer information. One option for the AEMC to consider is the need to address these issues prior to any further de-regulation of the market and prior to removing the IPART price cap.
2. That AEMC inform NCOSS and other stakeholders how it intends to work towards reducing energy prices in NSW, and in particular electricity prices.
3. That AEMC clearly outlines what it considers to be the benefits of competition in the NSW energy market, for people on fixed and low incomes and vulnerable population groups.
4. That a range of consumer protection mechanisms be put in place in order to prevent disconnections of electricity and gas in residential households in NSW.
5. That the value of the Energy Accounts Payment Assistance (EAPA) Scheme's voucher needs to be increased to reflect increases in energy bills. NCOSS recommends that the value of a single voucher be increased from \$30 to \$50, with a new maximum for assistance of at least \$300.
6. That consumers need to be offered information about the energy market and sustainable energy options. This includes retailers providing accurate information about Smart Meters and Time of Use (TOU) energy consumption and billing, together with tailored information about ways households can reduce energy consumption.

## Introduction

Thank you for the opportunity to respond to the Australian Energy Market Commission Issues Paper: Review of Competition in the Retail Electricity and Natural Gas Markets. We hope our submission will assist the Review process. The Council of Social Service of NSW (NCOSS) looks forward to continued engagement with the Commission during the consultation period. We hope that this NSW Review is able to deliver recommendations for more affordable energy prices for residential households in NSW and people on fixed and low incomes.

Given the mandate and expertise of NCOSS rests with responding and advocating for the needs of vulnerable population groups we would like to raise three key issues in our submission: affordability of energy, improved consumer protections and improved information for consumers. Our submission is structured around these issues, rather than the questions nominated in the Issues Paper.

## Affordability of energy

Electricity and gas are essential goods and services for households in NSW. They provide for cooking, heating, refrigeration, washing and lighting in households across NSW. They are not luxury items and need to be affordable. However, the last two years have seen unprecedented increases in the price of electricity for residential customers in NSW. Julia Gillard, in the Prime Minister's address to the National Press Club (30.01.2013), spoke about the rise in energy prices nation-wide:

The price we pay for electricity and gas has increased by 120% in the last decade and 26% in the last two years.

The latest newsletter of the Energy and Water Ombudsman NSW (EWON) (December 2012) reports a 23% increase in complaints from March to September 2012. EWON received a very high volume (2713) of complaints in the 6 month period from April to September 2012 and high electricity bills continued to dominate customer complaints<sup>1</sup>.

NCOSS would like to ask the Australian Energy Market Commission (AEMC) how it intends to reduce energy prices in NSW, in particular electricity prices. Increasing energy prices are regressive and impact disproportionately on people in receipt of fixed and low incomes, who may forgo a significant and rising amount of their incomes on energy. Large families and share houses of refugees living together to reduce rental costs are among the groups hard hit by rising energy costs<sup>2</sup>. Single parents transferred over to the low Newstart Allowance in January of this year are faced with having to find additional money to pay for their family's bills.

The Issues Paper does not canvass affordability issues; however NCOSS contends that for residential consumers of electricity in NSW *affordability* is the most important factor. NCOSS is concerned that the price of energy in rural NSW is higher than in metropolitan Sydney. Given the locational disadvantages faced by people living in rural areas, high energy prices will impose further hardships. While the Issues Paper appears to be supporting a path

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<sup>1</sup> Energy and Water Ombudsman NSW (2012), *EWON News*, Issue 26, Dec 2012, Sydney

<sup>2</sup> Consultation with Ethnic Communities Council, NSW, 23 Jan 2013

towards greater de-regulation of the energy market, including removal of the Independent Pricing and Regulatory Tribunal (IPART) price cap, NCOSS suggests that prices may need to be brought down first, prior to any further de-regulation.

Anecdotal information received from NCOSS members, coupled with media reportage, shows that there are many households in NSW struggling to pay high electricity bills<sup>3</sup>. This was particularly the case last winter, with heating costs factored into household bills. 'Heating or eating' could be a very real dilemma for vulnerable families and people dependent on fixed or low incomes. Anecdotal information also suggests that while households are reducing their energy consumption, electricity bills are still rising. Households may be adopting more environmentally aware and sustainable approaches to energy use; however this reduced consumption is not being reflected in their quarterly bills.

Data reported by both the IPART and Energy and Water Ombudsman NSW (EWON) demonstrate the escalating rate of electricity disconnections in NSW. IPART, in its recent Information Paper on Electricity (December 2012)<sup>4</sup>, reports there were **23,207** residential customers in NSW disconnected during 2011/12. This is a 25% increase from the already high figure of 18,561 households during 2010/11. The report states that there have been significant increases in small retail disconnections and also in the level of customer complaints in 2011/12. This is in a period of rising electricity prices.

EWON's December 2012 newsletter reports a 22% increase in complaints regarding disconnection. In its latest 6-month reporting period, there were a total of 1558 complaints about disconnections (598 complaints related to disconnection due to non-payment and 960 complaints related to facing disconnection due to non-payment).

Furthermore, IPART's assessment of the electricity retail suppliers' performance in 2011/12 was not flattering; IPART reported that performance against customer service indicators had declined or stayed constant.

The Public Interest Advocacy Centre (PIAC) has conducted three pieces of primary research since 2004 into disconnections in NSW. The research has created an evidence-base through surveying and interviewing households who have experienced energy disconnections. Their most recent report, 'Cut Off 11: The Experience of Utility Disconnections' (2009)<sup>5</sup> details insights into the lives of people who face disconnection, including the experiences of children who may become anxious and distressed at home. The Cut Off research studies have shown it is not only unemployed households who are being disconnected; many 'working poor' are facing difficulties in meeting utility payments and experience disconnection.

PIAC's third and final report in the series, 'Cut Off 111' (due to be released in April 2013) will provide critical information for this Review of Electricity and Gas Markets in NSW. NCOSS is concerned the Issues Paper does not discuss disconnections and how they can be prevented. Certainly disconnection would be a real fear for many consumers struggling to pay high bills. NCOSS contends the fact disconnections are increasing is a strong indicator the energy markets are not working in the best interests of consumers.

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<sup>3</sup> See for example Herald Sun 10 Oct 2012 & The Australian 02 Dec 2012

<sup>4</sup> Independent Pricing and Regulatory Tribunal of NSW (IPART) (2012), *Customer service performance of electricity retail suppliers: Electricity Information Paper*, Sydney

<sup>5</sup> Connell J, Hill W (2009), *Cut Off II: The Experience of Utility Disconnections*, report prepared by Urbis for the Public Interest Advocacy Centre Ltd, Sydney

## Improved consumer protections

NCOSS supports improved consumer protections for low income households struggling to afford increasing energy prices. Given the very high volume of disconnections occurring, and the IPART data which shows disconnections are increasing, consumer protection needs to be an integral part of the energy market. Every forced disconnection is a failure of the market. NCOSS advocates that consumer protections need to position the prevention of disconnection in residential households as a key goal; the retailers' hardship policies and payment plans need to support this goal.

One current consumer protection which could be improved is the Energy Accounts Payment Assistance (EAPA), which provides a voucher of \$30 to people experiencing difficulty paying their electricity or gas bill. Clearly, this is a low and inadequate level of assistance given the average quarterly electricity bill is now between \$493 and \$648 (IPART figures for 2012). While welfare organisations are able to provide a maximum of eight vouchers (\$240) per eligible customer, information received by NCOSS suggests that some organisations ration vouchers per customer, because the demand is high and organisations want to assist as many customers as possible. This means some people receive an inadequate \$30 towards the cost of their energy bills; an amount unlikely to prevent disconnection. In our Pre-Budget Submission to the NSW Government, 'Building Fairness First' (2012), NCOSS argued that the scheme's current value per voucher needs to be increased to reflect increases in energy bills. Our submission recommends that the value of a single voucher be increased to \$50, with a new maximum for assistance of at least \$300<sup>6</sup>.

Furthermore, there is a lack of consumer information about the EAPA scheme. Around half of the 172 respondents in PIAC's 2009 Cut Off study did not know that EAPA existed, even though the respondents were facing disconnection or had been disconnected. The study found that there is less awareness of the scheme among people who are working.

In addition to EAPA there are five energy rebates available to people on fixed or low incomes or to vulnerable groups such as people in need of essential medical equipment. They are the Low Income Household Rebate, Family Energy Rebate, Life Support Rebate, Medical Energy Rebate and Essential Medical Equipment Payment. The number of rebates and their different eligibility rules, criteria and amounts adds to the increasing complexity of energy. NCOSS is concerned that consumers are often unaware of the rebates and how they can apply for them. The new Family Energy Rebate is available for NSW customers in receipt of Family Tax Benefit A or B; however administrative delays mean that customers will not receive their rebate of \$75 (credited on their electricity bills) until half-way through this year.

NCOSS contends that the existing IPART price cap operates as a type of consumer protection, or safety net against retailers rising prices further. This was also the view tended by the Victorian Council of Social Service (VCOSS) in its submission to their state's Retail Competition Review<sup>7</sup>.

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<sup>6</sup> NCOSS (2012), *Pre-Budget Submission, Building Fairness First*, Submission to the NSW Government by the Council of Social Service of NSW, Sydney

<sup>7</sup> VCOSS (2007), *Retail Competition Review-Response to Issues Paper*, Melbourne

## Improved consumer information

Based on feedback from its stakeholders and members, NCOSS considers that there is little information readily available for consumers about the energy market. People may be unsure which retailer they are with, and what benefits (if any) their retailer (and other retailers) offer. Retailers appear to be providing similar deals and no substantial benefits; the rhetoric about choice is just that. The exception here may be retailers able to offer ‘greener’ or more ‘environmentally friendly’ products; there will be a market for such products and some consumers will be prepared to pay for them. There is the potential for retailers to provide information directly to consumers when they bill each quarter. This may be more user friendly than ‘door-knocking’ marketing which has been criticised by some NCOSS stakeholders for being aggressive and intrusive. Retailers could be doing a lot more to provide consumers with relevant information about energy; for example they could be offering small customers tailored advice on ways to lower their household energy usage. The lack of consumer information in the energy market has been evident over the last two years, where households have received large increases on their energy bills, without explanations from their retailer as to why this was occurring.

As highlighted in the AEMC Issues Paper, in order to shift energy consumption away from peak times the NSW market may move to a system which makes greater use of Smart Meters and Time of Use (TOU) energy consumption. It will be critical to provide consumers with accurate, timely and impartial information about the new meters and TOU, and how consumers and the environment may benefit. This is likely to be an area with which consumers will want to engage, given that it marks the times people can use energy when it is less costly. Those consumers who are able to turn off energy during peak times, and delay use until off-peak are likely to be the beneficiaries. However, not all households will be able (or want) to change their daily routines, and in a context where people are ‘time poor’ such flexibility is not always possible. Households with young children cannot change play, dinner, family-time and baths to a later off-peak time; it is more likely that single people have the flexibility to delay their energy use to off-peak periods.

The growing complexity of the energy market is a barrier to providing useful consumer information. Many people may be perplexed about why they need to know about the energy market. Consumers may not wish to engage with the complexities of the market, beyond having a grasp on prices, bills and environmental sustainability. NCOSS therefore cautions against the trend towards complex systems for their own sake, and the consequent demands placed on consumers to be ‘ahead of the game’. ‘Turning on the light switch’ may be sufficient for many consumers.

On the other hand, NCOSS does advocate for a society where citizens are informed and engaged. Therefore we are supportive of improved consumer information about energy, both from the retailer direct to consumer, and from the regulator IPART. There is also a continuing role for environmental organisations to inform and educate consumers about renewable energy.

## Conclusions

This submission has argued that the three key issues which need to be addressed for residential customers in the NSW energy market are affordability, consumer protections and improved consumer information. One option for the Australian Energy Market Commission



to consider is the need to address these issues prior to any further de-regulation of the market and prior to removing the IPART price cap. In particular consumer protections need to be put in place in order to prevent disconnections of electricity and gas in residential households in NSW.

While the Issues Paper appears to assume that increased competition in the energy markets either has or will bring benefits to the consumer, the paper does not outline or clarify what these benefits are. The actual experience of consumers to date does not suggest any real or tangible benefits. Increased competition in NSW has clearly not driven down electricity and gas prices; indeed the reverse has happened. NCOSS asks the AEMC, in the next stage of its NSW Review, to clearly describe what it sees as the benefits of competition for energy consumers, and in particular the benefits for low-income and vulnerable energy consumers.

NCOSS supports the position on benefits of competition taken by VCOSS in its submission to the Victorian Competition Inquiry (2007):

We are strongly of the opinion that an effective competitive market should bring consumer benefit through price and product or service quality, not bonus gifts and conditional discounts (p 6).

Finally, NCOSS argues the need to take the focus away from ‘problem’ customers ‘not able to experience all of the benefits of retail competition’, as painted in your three small customer profiles (p 37, Issues Paper). Instead the focus needs to be placed on systemic problems within the energy market and how the AEMC intends to resolve them.

## References

Connell J, Hill W (2009), *Cut Off II: The Experience of Utility Disconnections*, report prepared by Urbis for the Public Interest Advocacy Centre Ltd, Sydney

Energy and Water Ombudsman NSW (2012), *EWON News*, Issue 26, December 2012, Sydney

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