

29 June, 2017

Retail Electricity Market Monitoring
Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
Haymarket Post Shop NSW 1240
(Submitted Online)

Re: 2017 NSW Retail electricity market monitoring

NCOSS appreciates this opportunity to provide input on IPART's 2017 NSW retail electricity market monitoring.

The NSW Council of Social Service (NCOSS) works with and for people experiencing poverty and disadvantage to see positive change in our communities. As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

Electricity, like water, is an essential service that underpins health and quality of life. For vulnerable people, the cost of electricity makes up a more significant proportion of their incomes, and electricity bills are often given priority over the cost of other household essentials. NCOSS understands that IPART's reviews of the retail electricity market are crucial in ensuring that essential electricity services are accessible and affordable for all consumers, particularly the most vulnerable.

In recent reviews of the operation of the retail electricity market in NSW, IPART has concluded that competition is working effectively.¹ NCOSS strongly disagrees with this. Market competition must be assessed according to the outcomes it delivers for consumers: If the market does not deliver better outcomes for a significant proportion of people, particularly the most vulnerable, then it is failing.

In this review NCOSS would like to see examined the impact of our retail electricity market on people's lives, with particular attention paid to its impact on vulnerable consumers. Consideration should be given to:

- The way in which different cohorts of customers actually interact with their retailers,
- What different cohorts of people are actually paying,
- The impact electricity prices are having, especially on vulnerable people.

We would particularly like to see a much greater recognition that a significant proportion of customers are people on low incomes, and that their experience of retail electricity is a crucial indicator of the current failings of the competitive market. In this context, NCOSS is

¹ IPART. Review of the performance and competitiveness of the retail electricity market in NSW: July 1 2015 to June 30 2016. November 2016.

pleased to see that Customer Participation and outcomes have been included as key indicators for assessing competition in NSW, and we hope that these indicators are given significant weight.

NCOSS has recently completed a survey of people in NSW who are living below the poverty line in order to better understand the impact of the rising cost of energy on their lives. We have included this report as part of our submission. It demonstrates that many people with low incomes are not engaging effectively with the retail market. In the face of unsustainable energy costs, the health, well-being, and long term financial stability of many vulnerable people is being seriously impacted. In response to the customer participation and outcomes indicators being examined in this review, we would like to highlight some of the findings of our report.

Data on customers switching retailers or plans with the same retailer

While official figures suggest that 4-5% of customers are switching retailers each month², our report shows that this does not reflect the experience of vulnerable consumers. Rather, this figure is likely to represent the 'churn' of a smaller proportion of active and informed consumers.

In our survey, between 75-85% of people on low incomes had not contacted their retailer in the last 12 months to either switch, get a better deal, or renew a previous deal. This suggests they are very unlikely to be on the best available deal from their current, or any retailer. More importantly for the operation of an effective competitive retail market, most of respondents did not recognise the need to contact their retailer.

IPART's previous monitoring review characterised lack of active contact with retailers as being the result of a rational choice not to engage in the market. However, our results suggest that many consumers, particularly the most vulnerable, do not have a good understanding of the way in which the retail market works. Our research shows that a significant proportion of vulnerable customers are not aware what deal they are on, that different deals exist, how to compare deals, and what is required to ensure that they are not paying more than is necessary. Several recent investigations, including the Grattan Institute's *Price Shock* report³ have similarly concluded that while some consumers are theoretically able to benefit from retail competition, for many it is leading to significantly worse outcomes, with many of the most vulnerable people worse off.

Outcomes for vulnerable customers

There is clear evidence that retail electricity competition is failing vulnerable customers. They are paying higher than average bills, experiencing debt and disconnection because their bills exceed their capacity to pay, and rationing daily essentials – including in some cases meals – in order to keep the lights on⁴. Particularly concerning results from our survey were:

² AER. Monthly customer switching rates. <https://www.aer.gov.au/retail-markets/retail-statistics/electricity-customer-switching>

³ T.Wood & D.Blowers. Price Shock: Is the retail electricity market failing consumers? Grattan Institute, March 2017. P26-28

⁴ NCOSS (2017) Turning off the Lights: The Cost of Living in NSW (attached)

- 28.4% of the low-income households reported having a last quarterly bill that is above average (in excess of an annual bill of \$1,530).
- 33% of people reported going without medical treatment as a result of electricity bills that they cannot afford.
- 56% of people reported going without dental treatment as a result of electricity bills that they cannot afford.
- 25.5% of households with children reported that their children went without a substantial daily meal as a result of electricity bills that they cannot afford.
- 32% of people reported borrowing from friends and family, and 26% of people pawned personal items in order to pay electricity bills that they cannot afford.
- Over 35% of people reported paying their bills late in the last 12 months, with 11.7% reporting they had been disconnected or had received a disconnection notice as a result of not being able to afford their electricity bills.

In an effectively functioning retail electricity market such a significant proportion of people should not be forced to sacrifice basic household essentials in an attempt to pay electricity bills that they cannot afford. Our investigation into the way in which people on low incomes actually interact with electricity retailers, and the impact that the cost of energy has on people with low incomes shows that the market is failing too many.

NCOSS welcomes IPART's review of the operation of the retail electricity market in NSW. We strongly recommend that serious weight be given to the actual experience of consumers and the outcomes the retail market is delivering, with a particular focus on people with low incomes and other vulnerable groups.

If you would like to discuss any of the issues we raise in this submission in more detail, or require any further information or input, please do not hesitate to contact Douglas McCloskey, NCOSS Policy Officer, on 8960 7923 or douglas@ncoss.org.au

Yours sincerely



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