

CUAC Rural and Regional Network Newsletter

December 08

Gas, water and electricity consumer issues in rural and regional areas

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It's been another big year in utilities, and 2009 is shaping up to be even bigger. We thank all our Rural and Regional Network members for their input over the past year, and look forward to a productive—and challenging—2009.

Best wishes for the festive season, from the CUAC Board and staff.

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CUAC is an independent consumer advocacy organisation which ensures the interests of Victorian electricity, gas and water consumers—especially low income, disadvantaged, rural and regional, and Indigenous consumers—are effectively represented in the policy and regulatory debate.

CUAC believes all Victorians have a right to:

- ♦ affordable and sustainable electricity, gas and water
- ♦ have their interests heard in policy and regulatory decisions on electricity, gas and water
- ♦ not be disconnected from electricity, gas and/or water due solely to an inability to pay



Views expressed in the newsletter are not necessarily those of CUAC.

Metropolitan Water Price Review

On 12 December 2008, the Essential Services Commission (ESC) released an Issues Paper on its Metropolitan Water Price Review. As we are becoming more and more aware, water systems and resulting issues are connected for all Victorian consumers.

The ESC completed price reviews for the then 17 metropolitan and regional businesses providing urban services in June 2005, and reviews were completed for five businesses providing rural services in June 2006. In its 2008 price review the ESC determined prices for the 16 regional businesses servicing rural and urban customers. CUAC argued in its submission to the ESC on rural and regional pricing that the ESC should introduce a price cap for residential customers and whilst this did not result, the increased concessions introduced from 1 July 2008 provide some relief.

In its Metropolitan Water Price Review Issues Paper, the ESC forecasts metropolitan demand, expenditure and pricing to 2013 and identifies a number of challenges facing the metropolitan water businesses and their customers including, continued drought, water restrictions, security of supply and sustainability.

The major augmentation projects which impact on the metropolitan water business budgets include the desalination plant, Sugarloaf Pipeline (in conjunction with the Foodbowl Modernisation Project), construction of a water treatment plant at Tarago Reservoir and the upgrade of the Eastern Treatment Plant to increase recycling. The four metropolitan businesses have forecast an expenditure of \$10.8 billion over the regulatory period 2009-13 including \$4.3 billion in capital expenditure. This combines with forecasts of lower water usage as a result of restrictions and water savings. The paper compares average household bills in Melbourne and a selection of regional towns with billing projections for the period.

The ESC's deadline for submission is 9 February 2008. Further details and a copy of the Metropolitan Melbourne Water price review 2008-09 Water Plans – Issues Paper can be found on the ESC website www.esc.vic.gov.au The ESC will follow the review with a draft decision planned for release in April 2009 and a final decision in June 2009.

CUAC welcomes your comments in the development of the CUAC submission.

Your choice? ESC website pricing information



From 1 January, the State Government will no longer be regulating prices charged by energy retailers. It will be up to consumers to compare offers and make a decision on the best offer for their individual case.

All energy retailers must now publish their plans on their own websites from the date of effect.

The ESC will compile and

publish these offers from mid January 2009 on the website www.esc.vic.gov.au/yourchoice. Residents are currently receiving a letter outlining the changes and this information includes the energy choice hot-line number (1300 134 575).

CUAC has campaigned for some time that, as a minimum, energy retail prices be made publicly and easily comparable.

We understand that the Government will produce training and information material for financial counsellors and other case workers to prepare them for some of the new challenges their clients will face from 1 January 2009.

In the meantime, we have concerns that clients with low literacy, no computer, or other issues with accessing web-based material may be disadvantaged. CUAC has already received phone calls from people with these issues. We are encouraging community agencies to note any client queries and concerns around price deregulation of the energy market, including any problems with accessing the Your Choice web information.

CUAC is always ready to document the impact of policy changes 'on the ground' so feel free to contact us and discuss your experience of these changes.

We will be researching the impact of retail price deregulation on the market later in 2009.

Community engagement in your area

CUAC is keen to hear from community workers in rural and regional areas who would like to find out how to become more involved in major energy and water decisions.

‘We are committed to our rural and regional stakeholders and want to ensure they have the capacity to have their voices heard in the policy and regulatory debate,’ said Jo Benvenuti, CUAC Executive Officer. ‘We urge any of our Rural and Regional Network members, or anyone interested in hardship issues, or energy and water pricing and access, to contact us to discuss how we can be of assistance.’

One option is regional seminars, similar to the Community Engagement seminar run in Melbourne on 25 November and attended by over 50 representatives from community agencies.

An initiative of the CUAC Domestic Issues Reference Group, the seminar provided information on issues including the impact of price deregulation, the change to a National Electricity Market, hardship issues and the future of water reform. (Summary information sheets are attached at the end of this Newsletter, and are also published on the CUAC website.)

As a case study of particular issues for rural and regional energy consumers Bernadette Douglas from Eastern Access Community Health discussed her experiences and research on LPG use in the Upper Yarra. Also of particular interest to rural and regional consumers was discussion of the future of water reform.

There was acknowledgement of the difficulties of getting involved in regulatory reviews. Gavin Duffy of the St. Vincent de Paul Society talked about the frustrations of being involved in long, sometimes technically complex reviews, only to have legitimate concerns ignored or dismissed.

However, there is a strong argument that if vital decisions around pricing, hardship and access to essential services do not take into account disadvantaged consumers, it is the community sector who will end up bearing the brunt of the impact. Community representatives expressed concern that they may end up being ‘defacto energy consultants’ as clients come to them for an explanation of the increasingly complex array of energy options.

Advocate Denis Nelthorpe ended the forum with a call for community workers to involve themselves

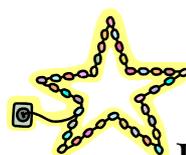


Future Issues panel discussion at the Community Engagement Forum

in the regulatory and policy end of the debate, rather than being expected to ‘navigate the system’ for their clients once the decisions are made.

The experiences of rural and regional community workers provide vital insights into how regulatory and policy decisions in utilities have a real impact on the ground in these areas. CUAC is keen to discuss ways of both gathering this information together, and building local knowledge and skills in the sector to ensure better outcomes for clients.

If you would like to discuss opportunities for your area, please contact Tosh Szatow at CUAC on 1300 656 767.



CUAC

Christmas Hours

Please note the CUAC office will close midday 23 December and reopen 2 January. All the best for the holiday season to all our Rural and Regional Network members from the staff and Board at CUAC.



Non Mains Winter Energy Concession should be increased: report

The Non Mains Winter Energy Concession should be increased on equity grounds, a CUAC funded research report has found.

The case for increasing the non mains winter energy concession, written by Kate Allsop, was initiated by the CUAC Domestic Issues Group and funded through a CUAC Partnership Grant.

It examines the relationship between the costs of LPG and the Non Mains Winter Energy Concession (NMWEC), both on its own terms and relative to the Mains Winter Energy and Concession (MWEC).

Costs of LPG are a major issue for low income rural and regional residents, as the majority of LPG users are located in these areas. Previous CUAC-funded research has shown that even in areas with reticulated gas, low income residents often miss out on the benefits of connection, leaving them relying on more expensive energy options such as LPG.

The report makes the case that domestic users relying on LPG are some of the most financially vulnerable people in Victoria, and have the lowest average household and personal income in the state.

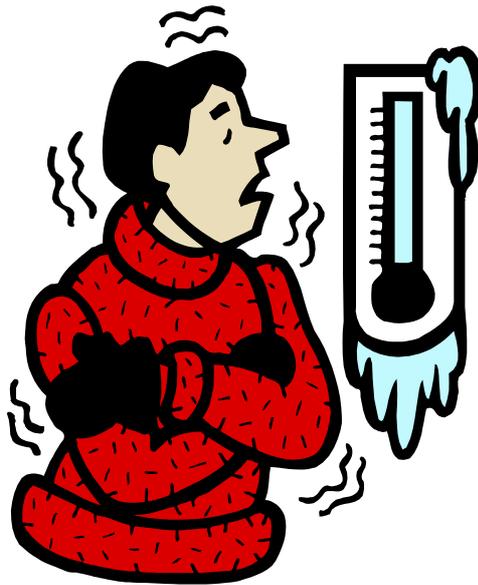
It also argues that LPG costs are rising faster than rebates, so that in terms of dollars spent on energy the concession card holders receiving the rebate are actually worse off now than in previous years. Depending on usage, some concession card holders were found to be up to 70% worse off in 2008 than

in 2003. (These figures are currently under review by DHS).

While the NMWEC is equated to the MWEC, as LPG is significantly more expensive than mains gas the report argues the concessions for LPG should be higher.

The report recommends:

- The process for linking the NMWEC to the LPG price be made transparent to ensure recipients of the NMWEC are protected from future increases in the price of LPG by a direct increase in the rebate.
- The value of the NMWEC needs to be increased by at least 50% to reflect the increasing LPG price and the fact that LPG is an expensive source of energy relative to mains gas.
- A different approach be pursued for raising awareness of and delivering the NMWEC to address the flatlining or decreasing amount of rebate claims.



The report also recommends further research into issues such as hardship policies for LPG users; take up rates of utility relief grants; consideration for grants for conversion to natural gas; problems of disconnection and self-rationing of LPG; and ways to extend the benefits of natural gas connection to low income consumers.

The full report is available on the CUAC website www.cuac.org.au.

Update:

CUAC has made a submission to the review of the LPG Code, making recommendations from the above research.

Following the release of the research, CUAC has been in discussion with the Department of Human Services (DHS). DHS is currently examining its strategy for promoting awareness and uptake of NURG.

CUAC is hopeful these developments will result in tighter requirements on LPG retailers and on-sellers to ensure that the NMWEC is better promoted. We will keep our Rural and Regional Network members informed of any developments.



Medical Cooling Concession

From 1 November this year, the Summer Multiple Sclerosis Concession will be expanded and re-named the Medical Cooling Concession.

The expanded initiative will provide \$2.5 million in concessions and benefit around 14,000 Victorian households.

Under the revised medical cooling program, eligible customers will receive a 17.5 per cent concession on their electricity bills over a six-month period over summer, rather than the current three-month period.

The concessions are available if a member of the household has multiple sclerosis or another qualifying medical condition where they are unable to regulate their own body temperature

Customers must have a Pension Concession Card, Health Care Card (except Child Disability or Foster Care cards) or Veteran Affairs Gold Card (except Dependent).

People wanting further information should contact the Concessions Information Line on 1800 658 521.

Capital Grants now 'Home Wise'

The State Government is encouraging residents to apply for a Home Wise: Appliance and Infrastructure Grant to help replace faulty essential home appliances.

The program provides assistance to people struggling to repair or replace faulty essential appliances like refrigerators, hot water services, heaters and washing machines.

Grants are available to eligible holders of pensioner concession cards, Centrelink Health Care Cards or Gold Cards.

Previously known as the Capital Grant Scheme, Home Wise allows eligible Victorians to receive an appliance every five years, or two at one time every 10 years, instead of once in a lifetime.

Replacement appliances are selected on the basis of energy or water efficiency to enable a reduction in energy or water consumption for the applicant's household.

In addition, households with five or more occupants will now be able to apply for a grant to supply and install ceiling insulation batts.

Application forms for the Homewise Grant are available directly from the Department of Human Services or can be obtained from a financial counsellor or welfare agency.

For more information on concessions, contact the DHS Concessions Unit Information Line on 1800 658 521.

Rebates for drought affected farmers

The State Government will provide up to \$58 million in rebates on fixed water charges for drought affected farmers.

Irrigators and stock and domestic farmers who are receiving less than 30 per cent of their water entitlements as of 1 December 2008 are eligible for the rebate.

The rebate will pay for fixed service charges on water bills (up to \$1000). Those irrigators whose fixed charges water bills are more than \$1000 will receive an additional 50 per cent rebate on the balance of bills above \$1000.

Publicly listed companies and managed investment schemes are not eligible for the rebate.

Over 46,000 water account holders are eligible.

The rebate will be automatically deducted from farmers' water bills by rural water corporations.

For further information go to www.dpi.vic.gov.au/drought

ESC Final Decision on April Storm Power Outages

The ESC issued its Review Findings Report on the April Storm Power Outages on 12 December 2008. The report found that the distributors exercised reasonable endeavours to manage the impact of the storm and had increased their combined field crew capacity by 20 percent since the previous major storm in 2005.

However, the Commission's recommendations include that the distribution businesses improve information coverage regarding major outage events and, in particular, improve their information provision to retailers. They have also recommended a review of the management of vegetation clearance from powerlines be undertaken by Energy Safe Victoria.

Under the Guaranteed Service Level (GSL) Scheme customers are entitled to a credit on their electricity bill or direct payment if they experience a cumulative supply interruption of more than 20 hours in a year. However, distribution businesses can apply to the ESC for exemption where the events are outside prescribed thresholds. In this case, the ESC has approved the applications put in by the five distributors for supply interruptions resulting from the storms of 2 April 2008.

Storm related outages after midnight of 2 April 2008 in the United Energy distribution area will not be excluded. This means about 700 customers in those areas may be eligible to payments of between \$100 and \$300 depending on the outage duration. Eligible customers usually receive these payments as a credit on their bills in the next calendar year.



Grants for surf life saving clubs to save water

The Australian Government will make available grants of up to \$10,000 to surf life saving clubs to install water saving and efficiency devices on club premises.

Activities eligible for funding include installation of new rainwater tanks connected to club premises so that they can be used for toilet flushing and/or laundry use. Clubs can claim funding for plumbing, gutting, down pipes and other materials provided these are for the new tank.

Funding will also be considered for other water efficient or water saving devices such as taps, toilets, urinals and showers. Showers and urinals must have a three star rating under the Water Efficiency Labeling and Standards scheme and toilets and taps must have a four star rating.

To apply for a grant, clubs should contact:

Surf Life Saving Australia

Phone: 02 9300 4000

Email: watersavings@slsa.asn.au

Facsimile: 02 9130 8312

For more information, including program guidelines and the application form, visit Surf Life Saving Australia's website: www.slsa.com.au.

Bendigo recycles water

The Bendigo region will use up to four billion litres of recycled water every year from the new Recycled Water Factory at Epsom, opened on 31 October 2008. The new factory marks the successful completion of the \$47 million Epsom-Spring Gully Water Recycling Project, which was built over the past two years.

The Victorian Government provided \$6.55 million towards the Epsom to Spring Gully Recycled Water Project and a further \$6.3 million came from the Commonwealth Government's Water Smart Australia Program.

Coliban Water has offered Class A recycled water to 350 rural customers along its Ascot, Axe Creek and Cockatoo Hill channels.

Recycled water will also be used to sustain Rosalind Park, Queen Elizabeth Oval, Bendigo Tennis Courts, Tom Flood Sports Centre, White Hills Botanical Gardens, Bendigo Golf Club, Bendigo Jockey Club and the Bendigo Harness Racing Club.

The Recycled Water Factory uses ultra-filtration and reverse osmosis to remove salt from Bendigo's disinfected wastewater.

Going Underground

An \$896,980 grant funded through the Powerline Relocation Scheme and matched by the Surf Coast Shire has been allocated to install underground powerlines along a 1.2km length of the Great Ocean Road in Lorne next year.

Rural schools doing it smart

Rural schools were standouts in the 2008 ResourceSmart School of the Year Awards, announced on 12 November at Federation Square.

The ResourceSmart Schools Awards, managed by Sustainability Victoria, recognise the commitment and achievements of Victorian schools in reducing their environmental impacts. 80 entries from 40 schools across Victoria were entered into the Awards.

The award categories and winners are:

ResourceSmart School of the Year - Joint winners – Mildura West Primary School and Western Port Secondary College;

Waste Smart School of the Year: Mildura West Primary School; Sale College, Guthridge Campus;

Water Smart School of the Year: Balnarring Primary School; Western Port Secondary College;

Biodiversity Smart School of the Year: St Francis of the Fields Primary School, Strathfieldsaye; Western Port Secondary College;

Energy Smart School of the Year: Bentleigh West Primary School; Western Port Secondary College.

Schools will share in \$25,000 in prizes to assist with their ongoing sustainability projects.

Further program information is available at www.resourcesmart.vic.gov.au

EWOV Conference

EWOV is hosting a conference on hardship issues on 2 March 2009, looking at key issues faced by energy and water customers experiencing financial hardship. EWOV is keen to see a good cross section of the community sector, including rural and regional representatives.

For further details and a registration form, contact Frances Wood at EWOV on 9649 7599 or email frances.wood@ewov.com.au



CUAC News



CUAC's new EO, Jo Benvenuti

Jo Benvenuti started in the position of Executive Officer for CUAC in the first week of November 2008.

She was previously Executive Manager Corporate Affairs for the RSPCA (Victoria) where she managed corporate governance and animal cruelty investigations.

Prior to this role, Jo has had extensive experience in the energy and water sectors with a consumer focus. She was second in charge to Fiona McLeod, the Energy and Water Ombudsman (Victoria) for seven years, managing customer complaints, policy and public affairs and prior to this worked with the Office of the Regulator-General (now the Essential Services Commission) primarily working on the first Electricity Supply and Sale Code and Customer Performance Reports following the privatisation of the industry.

Jo first began work on utility industry issues as Executive Officer of the Financial and Consumer Rights Council where she was particularly interested in tackling hardship issues. In this role she supported the work of Financial Counsellors and Consumer Support Workers across the state including the provision of training and accreditation programs. She has worked in welfare service provision across a diverse range of policy areas, including the aged, housing, and emergency relief.

In taking up the CUAC role, Jo has expressed how keen she is to take on the challenges of working in such a dynamically changing area and to ensure that the concerns of Victorian consumers, especially those from rural and regional areas and those who are experiencing disadvantage are put to the regulators and relevant government forums.

One of her first priorities will be to meet with as many of you as possible and to hear about your views and those of your constituents.

John Mumford retires from the CUAC Board

Longstanding Board member John Mumford formally retired at this year's AGM.

John has been a CUAC Board member since 2002, almost since its inception. As a Financial Counsellor in a regional area he brought a wealth of 'hands-on' expertise to CUAC, particularly in regards to rural and financial hardship issues.

Speaking at the AGM, John said that CUAC had started out in 'unchartered waters' and progressed to be a model organisation for consumer advocacy, and that in his work he saw the direct benefits clients received from work done by CUAC. 'I am especially proud of the work we have done to give rural and regional consumers a voice,' he said.

CUAC would like to thank John for his invaluable work over the past six years.

Welcome John Chu

CUAC's new Board member is Mr John Chu, a Fellow of CPA (Certified Practising Accountants) Australia and a Certified Management Consultant. Mr. Chu has over fifteen years of Australian and overseas business experience both in public and private sectors across a diverse range of functions and industries which include utilities and energy. John is also an active consumer advocate in healthcare. He holds a Bachelor of Information Systems, a Bachelor of Business (Banking and Finance) and an MBA. He is also a JD and a PhD candidate.

Mr Chu will be a valuable addition to the CUAC Board, and we look forward to his participation.

Farewell James

CUAC has said farewell to Policy Officer James Henshall. James has resigned due to health issues, but we hope he may return in some capacity in the future. James has been with CUAC since November 2005 and many of you will have worked with him on issues of gas and water.

We wish James all the best, and he will be greatly missed in the CUAC office.



The following Fact Sheets were prepared as part of the Community Engagement Seminar. They provide a summary of issues in each area, and also indicate the type of information that could be covered at a locally-based seminar. Please contact CUAC if you are interested in holding such a seminar in your area.

Water Market Reform

Structural change

The Victorian water sector is undergoing change, this includes:

- development of a water grid to physically facilitate multiple supply options;
- developing third party access regimes to legally facilitate multiple supply options;
- planning for desalination to ensure water security.

Water pricing

A major implication of water reform is the need for water pricing that will enable private investment and access to water infrastructure. A potential risk from these reforms is change in water quality, reliability and greater price volatility.

Winners and losers

The design of the water tariffs has a material impact on consumers as they allocate cost to households. For example: rates based water charges increase costs for the asset rich more than the asset poor; seasonal tariffs allocate costs to households that have more summer use (such as those with gardens); while inclining block tariffs tend to allocate costs to households with high consumption (with potential impacts for large families).

Ways to improve equity

Pricing principles are a tool to allocate costs equitably, ensuring that households can afford essential water use. Concessions provide additional financial support for disadvantaged households to ensure households maintain adequate and affordable water supply. In particular, concession design can be used to help households manage price volatility or different impacts across demographic groups (families/pensioners) or household types (home owners/renters).

Ways to reduce water consumption

The current approach in Victoria is to utilise water restrictions as well as inclining block tariffs to ensure that the cost of water increases with consumption levels.

Water *restrictions* have been an effective way to reduce consumption. However, there is concern that restrictions penalise some segments of the community more than others. *Scarcity pricing* has been promoted as a way to address this inequity. The purpose of scarcity pricing is to ensure that water prices respond to supply shortfalls and thus (in theory) influence demand. The idea of *demogrants* has recently been canvassed by the Government and other stakeholders. A demogrant allows a predetermined water allocation per user and restrictions would thus not be necessary. Demogrants can be delivered in conjunction with pricing structures, e.g. to ensure that essential use is priced at an affordable level.

Price Deregulation

Retail price regulation to date

The standing offer price – the offer that energy retailers are obliged to make available to all customers - is currently set by negotiations between the Victorian Government and the retailers. This is referred to as retail price regulation. The standing offer price also acts as a reference point, or the “price to beat” for market offers. Since the introduction of Full Retail Competition (FRC) in 2001, retailers have also provided ‘market offers’ where they set the price independently.

Effectiveness of competition review

As part of energy market reform, jurisdictional energy markets are being reviewed by the Australian Energy Market Commission (AEMC) to assess the effectiveness of competition and whether retail price regulation should be removed. In February 2008 the AEMC determined that competition was effective in Victoria and recommended the removal of price regulation. Legislation passed in October 2008 removes the role of the Government in setting electricity and gas prices from 1 January 2009.

From January 2009

All retailers will be obliged to have standing offers, but the retailers will determine the price without any government or regulatory oversight.

Standing offers are fixed for a minimum of 6 months.

Retailers will continue to provide market offers.

All standing offers and some market offers will be published on the Essential Services Commission’s website.

Possible winners and losers

The risk for consumers is that retailers will adopt pricing strategies disadvantaging consumers where competition is low. For example, retailers may set high prices for standing offers in areas where it is expensive to compete for customers. Retailers may also set standing offers low to limit competition in certain areas.

Specifically, customers in non-metropolitan/rural areas, low volume users, tenants and people susceptible to door knocking campaigns may be disadvantaged by ineffective markets because: the cost of acquiring customers in remote areas is usually higher than metropolitan areas; low volume users are less profitable; and door knockers may use deceptive marketing techniques to win over new customers.

Hardship Policies

Government Inquiry and Legislation

In 2005, the Victorian Government established the Committee of Inquiry into the Financial Hardship of Energy Consumers. A key recommendation of this Inquiry was that energy retailers develop and implement best practice financial hardship policies. The Essential Services Commission (ESC) was empowered to develop guidelines and ultimately approve the policies.

Energy Retail Code and hardship policies

Retailers' hardship policies support the consumer protections available to all customers under the Energy Retail Code. The Code incorporates important universal protections, including clauses relating to capacity to pay, instalment plans, information provision, bill payment options and collection cycles.

Requirements for hardship policies

As set out in the ESC's Guideline 21, Victorian hardship policies must meet general requirements in relation to:

- informing domestic customers about their rights and obligations, including energy efficiency and details about the retailers' hardship program;
- customers having equitable access to their programs - both self-identified customers and those identified by a third party (such as a financial counsellor);
- implementing fair and reasonable payment arrangements;
- providing assistance to customers to access Government assistance schemes; and
- providing training and resources to customer service staff and ongoing support to financial hardship team members.

Audit of hardship policies

In October 2008 the ESC's audit of retailers hardship policies concluded that with the exception of Click Energy and Jackgreen, retailers demonstrated good compliance with most aspects of Guideline 21;

Areas of concern and/or non-compliance were:

- the processes used by retailers to identify potential hardship customers;
- evidence to support retailers' assertions that no customer requesting access to the program had subsequently been denied access, and;
- evidence to show that there were no barriers imposed by retailers on customers seeking an energy audit or appliance replacement.

Ongoing and future issues

Particular classes of customers are less likely to fully benefit from generic hardship policies, e.g. tenants, newly arrived migrants and some rural customers (especially those relying on LP Gas). The quality of hardship policies varies between retailers, particularly between the large retailers (incumbents) and the smaller, new market entrants.

With deregulation of retail prices and expected price increases due to climate change policies (such as an emissions trading scheme) it will become increasingly important that hardship policies are effective and deliver assistance as intended.

National Energy Market Reform

Background

National Energy Market (NEM) reform has its origins in the national competition policy agenda of the 1980s and 1990s. This culminated in the 'Parer review', conducted in 2002, which set the framework for the most recent round of reforms and the impetus for all States and Territories operating under one set of energy market rules.

This reform is overseen by the Ministerial Council on Energy (MCE), which comprises representatives from all State, Territory and Federal Governments. The Australian Energy Market Commission (AEMC) is responsible for energy market rule making, market development and policy advice for the MCE. The Australian Energy Regulator (AER) administers and enforces rules established by the AEMC.

Milestones and Timelines

1998: NEM commenced operation with Victoria and NSW (other jurisdictions joining since then)

2004: The Australian National Energy Market Agreement (amended in 2006)

2005: AEMC established

2009: Regulation of energy distribution services to be transferred from state to national regulator (AER)

2010: Non-price retail regulation (customer protections) to be transferred from state to national regulator (AER)

National Energy Customer Framework (NECF)

A key component of the national framework is the national consumer protections, equivalent to Victoria's current Energy Retail Code. The National Energy Customer Framework Review is of great importance to Victorian consumer representatives as we do not want to lose protections currently provided under the Retail Code. Victorian advocates, and those from other states, have championed the Victorian framework as a 'best practice' model upon which a national framework should be built. However, energy companies that operate across jurisdictions have been pushing for less obligations, arguing that the regulatory burden in Victoria is too great.

Retailer of Last Resort (ROLR)

This on-going review is looking at the design of the Retailer of Last Resort (ROLR) scheme. The ROLR is important as it ensures that customers remain on supply in the event an energy retailer goes out of business. Current issues up for debate are:

- who should bear the cost of a ROLR event? Affected customers or the retailers?
- when and how should a retailer be allowed to exit the market?
- the tariff and terms and conditions available to customers experiencing a ROLR event.

The role of the State Government

The shifting of responsibility for energy policy to the federal arena raises significant questions regarding the ongoing role of the state government, including:

- the funding and delivery of energy concessions.
- consumer protection unique to the Victorian energy market and/or consumers.

Future Issues

New developments

We are in a phase of policy, regulatory and physical infrastructure transition. Major new policies include the Carbon Pollution Reduction Scheme and the expanded Mandatory Renewable Energy Target; regulation is being transitioned from state to federal jurisdiction; retail price regulation will be removed; and Victoria has committed to rolling out 'smart meters' – meters measuring energy use in half hour intervals, thus enabling dynamic pricing structures. We can expect to see an increase in energy costs and more price volatility – either on a daily or seasonal basis. Consumers will face a steep learning curve to adjust to the demands being placed on them to become active participants in energy markets.

Carbon Pollution Reduction Scheme (CPRS)

The Federal Government intends to introduce the CPRS in 2010 and it will have a significant impact on the cost of energy, particularly electricity. Treasury modeling released in October 2008 estimates that the average household will spend an extra \$4-5 per week on electricity and \$2 per week on gas. This corresponds to an increase in electricity prices of 17-24 per cent and in gas prices of 11-15 per cent.

Assistance measures

The Federal Government has committed to offer a range of additional assistance measures, particularly for low and middle income households, to help with adjustment costs and improve household energy efficiency. As the Government has pledged that they will use 'every cent raised by the sale of pollution permits to help households and businesses adjust to the scheme and invest in clean energy options', a significant compensation package is expected. In addition to compensation, it is anticipated that the Department of Environment, Heritage and the Arts (DEWHA) will announce a major energy efficiency initiative in the near future.

Smart meters and dynamic pricing

In 2006 the Victorian Government endorsed the deployment of smart meters to all Victorian electricity consumers using less than 160 MWh per annum. The roll out of these meters across Victoria will commence in 2009. As these meters can measure electricity consumption in half hourly intervals, it is expected that electricity distribution businesses and retailers will start offering time varying prices. An example is a time of use tariff that divides a household's consumption into a three rate tariff (peak, off-peak and shoulder periods). Another example is Critical Peak Pricing (CPP). A CPP allows the distribution business or the retailer to call peak events. The aim of a CPP is to provide customers with a price signal to reduce demand at a particular time. The business will notify customers about the event in advance and the price per kWh will be significantly higher than normal for the duration of the event. CPP and time of use tariffs will create various winners and losers. It will depend on the household's ability to reduce consumption or shift demand to other times of the day. As the demand for electricity is highest during the day, households with children, the unemployed and pensioners are less likely to benefit from such arrangements.

Deregulation and implications for case workers

Clearly the deregulation of retail prices from 1 January 2009 will create new challenges for case workers and frontline staff. The price variations between different energy offers may start to increase significantly (especially between standing offers and market offers) and this can place an additional burden on financial counsellors and emergency relief workers trying to assist their clients. The Victorian Government is preparing a community sector information package but it is yet to be confirmed whether training and/or additional resources will be made available.