



Power to the People

Report on the Seminar conducted on Tuesday 30 March 2004

Funded by the Consumer Utilities Advocacy Centre

Hosted By Community Power



1. Outline of Events and Summary of Presentations

Power to the People Forum	
8.45	Registration
	Chairperson: Cr Rae Perry, Mayor, City of Darebin. Cr Perry welcomed participants and chaired the event.
9.00-9.10	Andrew Rowe , Victorian Local Governance Association. Andrew set the context by discussing local government's history of involvement in the electricity industry.
9.10-9.40	An overview of the electricity market and climate change Darren Gladman , Environment Victoria. Darren outlined the key characteristics of the electricity industry and barriers to environmental outcomes. He identified a range of actions that can be taken by key stakeholders to ensure reduced greenhouse emissions. Presentation notes attached.
9.40-10.10	Community Power Esther Abram , Moreland Energy Foundation, Michelle Bennett , Darebin City Council An overview of the establishment and status of Community Power was presented. Community Power's recommendations regarding better environmental and social outcomes and enhancing opportunities for successful aggregation were discussed. Presentation notes attached.
10.10-10.30	Graeme Charles, Our Energy Graeme spoke about <i>Our Energy's</i> attempts to aggregate over 3,000 residential customers, 400 businesses and 500 farming enterprises. He explained that no viable response was received from electricity retailers in response to Our Energy's approaches. He argued that the low conversion from consumer expressions of interest to contract take up was a major barrier to successful aggregation. He argued that aggregators should be able to negotiate with the electricity retailers on the customers behalf and sign up customers directly if a suitable offer is made (with a customer opt out option).
10.30-10.45-	Tea Break

10.45-11.05	<p>The social challenges of the new competitive system</p> <p>Gavin Dufty, St Vincent de Paul Society</p> <p>Gavin discussed some of the adverse social outcomes of the current system. Issues he raised included the increasing complexity of market contracts, exclusion of particular customer groups from particular offers and possible impacts from prepayment and interval meters. Presentation notes attached.</p>
11.05- 11.15	<p>Central Victorian Greenhouse Alliance Terry White</p> <p>Terry described the structure and objectives of the <i>Central Victorian Greenhouse Alliance (CVGA)</i>. He described the CVGA's involvement with a Bendigo Bank aggregation project that sought to engage large consumers with a view to getting a sufficient load to interest retailers and then passing on benefits to smaller consumers. While Bendigo Bank was successful in getting cheaper prices for these large consumers, Green Power was included as an optional tender schedule and no response to this schedule was received. The outcome of cheaper brown power was contrary to the aims of the CVGA. Bendigo Bank is yet to extend an offer to residential customers.</p>
11.15– 12.00	<p>Discussion Session</p> <p>Panel Discussion. Questions from the floor.</p>
12.00-12.40	<p>Facilitated by Andrew Rowe, VLGA.</p> <p>Participants worked in small groups to identify recommendations for:</p> <ul style="list-style-type: none"> • Enhancing opportunities for successful aggregation • Achieving sound consumer protection measures • Achieving sound environmental outcomes <p>Community Power will compile these recommendations and feed them into the ESC's review of Full Retail Contestability</p>
	<p>Cr Perry closed the session by restating Community Power's commitment to sound economic, social and environmental outcomes.</p>
12.40 – 1.30	<p>Lunch – and opportunity for informal discussion</p>

2. Speakers Presentations

2.1 Environmental challenges in a privatised energy market

Darren Gladman *Environment Victoria*

Key features of the Victorian electricity industry

Victoria's electricity system is one of the most privatised and deregulated in the world.

The main entities in the Victorian electricity industry are:

- Generators
- The National Electricity Market Management Company (NEMMCO)
- VENCORP
- A transmission company
- Traders
- Distributors
- Retailers

Generators produce electricity and compete to sell it into the wholesale National Electricity Market. All generators in Victoria are privately owned.

The National Electricity Market Management Company (NEMMCO) is owned by the Governments of Victoria, NSW, SA and ACT. NEMMCO operates the wholesale National Electricity Market, coordinates the planning of the interconnected power system and maintains the security of the system.

VENCORP is owned by the Victorian Government. VENCORP plans and directs the extension of Victoria's transmission network, which transports electricity over extra high voltage power lines (220kV-500kV) from the generators to the distributors.

A privately owned transmission company (SPL PowerNet) owns and maintains the transmission network, and operates that network under direction from NEMMCO.

Distributors own and manage the high and low voltage (240V-66kV) network of 'poles' and 'wires' that deliver electricity. Each distributor is responsible for a locality and most areas of Victoria are covered by only one licensed distributor. Electricity distribution is referred to as a 'natural monopoly'. In other words, there is never likely to be more than one distributor in a locality. For that reason, prices charged by distributors are regulated by Government, through the Essential Services Commission. All of the distributors in Victoria are privately owned.

Electricity retailers buy electricity in bulk, deliver electricity to customers, manage those customers and, in some cases, offer services that go beyond the supply of electricity. There are five local retailers who have an obligation to offer to sell electricity to customers in their local areas and can sell electricity to customers in other areas in competition to the local retailer. In addition, there are a number of independent retailers, which sell electricity to customers in competition to the local retailer and other retailers in a competitive market arrangement. All five local retailers in Victoria are privately owned. Some of the independent retailers are owned by governments of other states.

Symptoms of poor environmental performance

The environmental performance of Victoria's electricity system is poor. The symptoms include:

- On a per capita basis, Victoria produces more greenhouse gas emissions than just about any other place in the developed world.
- The market consistently fails to deliver economically beneficial energy efficiency.
- Hardly any of our electricity comes from renewable sources. It is estimated that only 3.8% of Victoria's electricity comes from renewable sources and almost all of that is from old hydro electric power stations.

Consumer-based solutions to these problems

- Community Power and other aggregated buying schemes
- Green Power
- Government as a customer, leading by example (eg. Purchasing Green Power or reducing consumption through energy efficiency)

These measures cannot hope to address all the problems of the privatised energy market. Government intervention is required to address market failure and equity concerns.

Government intervention

Forms of government intervention:

- Reform of rules governing the energy market
- Regulations for minimum standards of efficiency
- Government funded programs

Reform of rules governing the energy market

- The single most effective measure to reduce greenhouse emissions from the energy sector would be to place a price or a cap on greenhouse emissions eg. emission trading. This could be implemented by either the federal or state governments.
- Development of the renewable energy industry in Australia is primarily driven by requirements on wholesale purchasers of electricity to source a proportion of their energy from renewable sources (i.e. the Commonwealth Mandatory Renewable Energy Targets (MRET) scheme). Australia's targets are low by international standards.
- A privatised system provides strong incentives for utilities to increase energy demand. In Australia there is no obligation or incentive for utilities to reduce demand. The UK Government places obligations on retailers to deliver energy efficiency.
- State governments regulate electricity tariffs. Governments could mandate tariff structures to send a price signal that there are additional costs to increasing consumption. Tariffs for domestic customers should include a lifeline amount of consumption, no standing charges, and sharply increasing and expensive blocks of consumption thereafter in order to provide a rudimentary demand management signal.
- The Victorian Government is contemplating mandatory roll-out of interval meters, which would provide time-of-use price signals. This should help to prevent cross-subsidisation that encourages consumption, provided that tariffs are structured appropriately.
- Distribution businesses have a financial incentive to increase their asset base. This means that there is a financial incentive for distributors to promote increased consumption and a disincentive to support embedded generation.
- Distributors should be given regulatory incentives (or obligations) to invest in energy efficiency measures to abate network constraints, rather than simply building bigger networks.

Regulations for minimum standards of efficiency

The market consistently fails to deliver economically beneficial energy efficiency measures. Government intervention is required to address this market failure. Current regulations include:

- Mandated minimum performance standards such as five-star energy efficiency requirements for new houses and appliance standards.
- The State Environment Protection Policy (Air Quality Management) requires Victorian enterprises subject to the EPA Victoria works approvals and licensing system to implement cost effective opportunities for improving energy efficiency.

Future regulations could include:

- Mandated minimum performance standards for new commercial buildings and for major renovations to houses
- Mandatory disclosure of energy efficiency ratings when houses are sold or leased
- Mandatory minimum energy efficiency requirements for rental properties

Government funded programs

Because of market failure, getting the right amount of investment in energy efficiency will also require government intervention through funding programs. For example:

- Social programs to retrofit the homes of pensioners and low income Victorians
- Community engagement to achieve behavioural and attitudinal change
- Education, training and accreditation programs

What role for local government and NGOs?

Local Government

- Supporting Community Power and other aggregated buying schemes
- Local government as a customer, leading by example (eg. purchasing Green Power, reducing consumption through energy efficiency, Cities for Climate Protection Program)
- Mandatory energy efficiency requirements for new developments and substantial renovations within their municipality
- Mandating the use of solar hot water
- Mandating solar water heaters for swimming pools etc.
- Implementing community engagement programs for energy efficiency
- Establishment of energy efficiency rolling funds
- Support retrofitting in community buildings or to alleviate fuel poverty for disadvantaged members of the community
- Communication and public education
- Lobby State and Federal Governments for policy changes

NGOs

- Supporting Community Power and other aggregated buying schemes
- NGOs as a customer, leading by example (eg. purchasing Green Power, reducing consumption through energy efficiency)

- Implementing community engagement programs for energy efficiency
- Communication and public education
- Lobby State and Federal Governments for policy changes

Power to the people?

The real power to change the electricity market rests with the State and Federal Governments.

Local government and NGOs have an important role to play, but the effectiveness of the local government and NGO energy-related programs is constrained by the way that electricity markets are structured.

Even with aggregated buying schemes, the power of people as electricity consumers is limited and is unlikely to lead to significant change in market structures and government regulations. If the people are going to change electricity markets we must also exercise our power as citizens, voters and advocates.

2.2 Community Power

Michelle Bennett Darebin City Council, **Esther Abram** Moreland Energy Foundation

What is Community Power

- An electricity aggregator for residents
- Aim of achieving economic, environmental & social outcomes in household electricity contracts
- A partnership project :

Why Aggregate?

- History of Local Government & electricity supply
- Cities for Climate Protection and reduced greenhouse emissions
- FRC – opportunity to influence the market

CP Model

- CP has a contract with AGL. AGL provides CP with data and a financial return based on 1% of the total energy spend of CP customers. CP provided AGL with an Expression of Interest Database with 4,300 contact details and ongoing promotion
- Households take up a Community Power Energy Plan directly with AGL
- CPs relationship with households is through a quarterly newsletter, energy management programs and customer advocacy

Community Power Options

- **Community Green** – 15% Green Power and 85% renewable energy (meets all of the Green Power accreditation requirements except it comes from generators commissioned pre 1997) at 1% discount on standing offer rates. 42% of take ups
- **Green Saver** – 5% Green Power and 95% renewable, 3% discount on standing offer rates. 56% uptake
- 50% or 100% Green Power. Take-up is still low at about 2%

Current Status

- Development – 18 months
- Implementation – 4 days/week 12 months through Community Action Fund
- 850 households
- 574 tonnes gge/yr Green Power
- 5600 tonnes gge/yr renewable
- Energy Management programs

Challenges

- Time off-line
- Undercutting of our contract offer in Standing Offers
- Service delivery, slow churn rates
- Low take-up across the board ~12%
- Staged process to get sign-ups
- Reluctance to sign a market contract
- Off-peak tariffs

Future Initiatives

- Round 3 contract offer
- New marketing campaign
- Direct sign-up
- Gas Offer
- Energy Management Programs
- Expand Footprint
- Contract renewal

Recommendations- Social

- Independent body for consumer awareness:
 - standing offers
 - market contracts & eligibility
 - economic, enviro & social assessments
- How to assess offers
- Moving house requirements
- Investigation of off-peak pricing
- Continuation of standing offer

Recommendations - Enviro

- Appropriate price signaling eg consistent stepped tariffs
- Interval meter roll out
- Mandatory greenhouse targets for generators and retailers
- Incentives/support for demand management initiatives
- Public education and support of demand management & Green Power

Recommendations - Aggregation

- Support from ESC re market regulations & structural opportunities for aggregation
- Competition in the market place not in standing offer
- Transparency of offers for consumers

In Conclusion

- Opportunities exist to ensure enviro & social outcomes from the competitive electricity market
- Aggregation is a measure of success of a competitive market – consumer needs being met
- Also relevant to ask whether Vic consumers *want* a competitive market....

2.3 The Social Challenges of the New Competitive System

Gavin Dufty *St Vincent de Paul*

Issues and challenges (1).

- 10 years since privatised - what are the issues for Victorians in 2004?
- Safety net tariffs were due to have expired at the end of this year however they will continue till 2008 and rise at CPI (electricity) CPI + (gas)
- Changes to the terms and condition – this occurs mainly though the reduction of regulated protections

- Suggestions that Universal Service Obligations should be replaced with Targeted Safety Nets

Issues and challenges (2).

- Companies “Slamming” some households (unauthorized signing up to market contracts)
- Increasing complexity of market offers (pricing and price service mix complexity)
- Emergence of redlining (exclusion of particular groups - tenants and off peak /rural and low volume households)
- Issues of retailers of last resort - who will retail you electricity if nobody wants to?

Issues and challenges (3).

- Push for the introduction of prepayment meters
- Push for the introduction of late payment fees
- Mandated roll out of interval meters (could be good or could be bad depending upon the detail real time response Vs delayed response)
- Suggestions that the concessions framework should be reconfigured as a tool to address market failure rather than as a social program.

Issues and challenges (4).

- Dual fuel and other bundled offers – issues regarding access to supply and withdrawal of many services for non payment of one.
- Who is setting the strategic policy direction, capacity issues &DM– issues of role and activity of central government
- Development of national standards – do we want other state standards – gravitate to the lowest common denominator
- Complex and confusing tariffs – need a PhD to work them out

3. Summary of Recommendations - from Presentations and Workshop Session

Aggregation

- There is a lack of interest from electricity retailers in aggregation groups. This has led to the failure of a number of potential aggregation groups. A review of the barriers facing aggregation groups and potential aggregation models is required by the state government to establish what sort of incentives or regulations are required to facilitate community based aggregation.
- Following this review appropriate funding support and capacity building should be made available to establishing aggregators. The Essential Services Commission should support market regulations & structural opportunities that encourage aggregation.
- Details of Standing Contracts and Market Contract Offers including eligibility criteria need to be made publicly available so that consumers can make informed decisions about their options. This will benefit aggregators and consumers.
- An independent organisation should be funded to make economic, environmental and social assessments of available market contracts to make it easier for consumers to assess options. This will benefit aggregators and consumers
- An educational campaign should be conducted to inform the community about their options within a fully contestable energy market including the benefits of aggregation groups. This education campaign needs to also focus on how consumers can assess which contract offer is a good one for them.
- Following an expression of interest process, aggregators should be able to negotiate and sign up contracts on behalf of consumers with an opt out option for consumers. Currently retailers are not showing much interest in aggregators because of the large drop off rate when consumers are required to sign up contract offers individually.
- Competition should occur through market contract initiatives not through reductions in standing offer tariffs. Community Power has been significantly impacted by reductions in the Standing Offer tariff in the CitiPower/Origin distribution area, a 20% reduction in standing offer business tariffs in 2003 was effectively shelved the Community Power Business Contract.

Environmental

- Implement a price or a cap on greenhouse emissions eg. emission trading. This could be implemented by either the federal or state governments.
- The renewable energy industry in Australia is primarily driven by requirements on wholesale purchasers of electricity to source a proportion of their energy from renewable sources. The Mandatory Renewable Energy Targets should be increased.

- Governments should mandate tariff structures to send a price signal that there are additional costs to increasing consumption. Tariffs for domestic customers should include a lifeline amount of consumption, no standing charges, and sharply increasing and expensive blocks of consumption thereafter in order to provide a rudimentary demand management signal.
- The Victorian Government is contemplating mandatory roll-out of interval meters, which would provide time-of-use price signals. This should help to prevent cross-subsidisation that encourages consumption, provided that tariffs are structured appropriately.
- Distributors should be given regulatory incentives (or obligations) to invest in energy efficiency measures to abate network constraints, rather than simply building bigger networks.
- Mandated minimum performance standards for new commercial buildings and for major renovations to houses should be developed.
- Mandatory disclosure of energy efficiency ratings when houses are sold or leased should be introduced.
- Mandatory minimum energy efficiency requirements for rental properties should be established.
- Resourcing should be provided for community engagement to achieve behavioural and attitudinal change
- Education, training and accreditation programs should be extended.
- Incentives/support programs should be extended for demand management initiatives
- Public education and support programs for demand management & Green Power should be extended.

Social

- An Independent body for is required to increase consumer awareness of standing offers, market contracts & eligibility, economic, environmental & social assessments and how consumers should assess offers.
- An investigation should be made into off-peak pricing
- Continuation of standing offer should be considered.
- Consideration should be given to replacing the Universal Service Obligations with Targeted Safety Nets
- Social programs should be introduced to retrofit the homes of pensioners and low income Victorians.
- An investigation of market practices such as:

- companies “Slamming” some households (unauthorized signing up to market contracts);
 - emergence of redlining (exclusion of particular groups - tenants and off peak /rural and low volume households); and
 - the consumer impact of dual fuel and other bundled offers – (issues regarding access to supply and withdrawal of many services for non payment of one).
- Consideration should be given to reconfiguring the concession framework as a tool to address market failure rather than as a social program.

4. Attendees List : Power to the People 30 March 2004, Darebin Arts & Entertainment Centre

No	Name	Organisation
1.	Andrew Crowther	Trans Tasman Energy
2.	Judy Watson	Ind, Member of MEFL
3.	Geoff Baker	Individual
4.	Cr Rae Perry	Darebin
5.	Sally Moxham	Vic Gov
6.	Livia Carusi	Finance Consumer Advocacy
7.	Natasha Leigh	Consumer Law Centre
8.	Anushka Bondar	Consumer Law Centre
9.	Kerry Connors	Consumer Utilities Advocacy Centre
10.	May Mauseth	Consumer Utilities Advocacy Centre
11.	Ian Onley	Wellington Shire
12.	Aubrey Jansen	Glen Eira City Council
13.	Jane Waldock	Manningham City Council
14.	Anton Mayer	Greater Geelong, Economics Dept
15.	Jonathan Upson	Wind Farm Development
16.	Dein Milthorpe	Individual
17.	Nirson Rajadurai	Automation Intelligence
18.	Wendy Clarke	ATA
19.	Uma Malipatil	Dol
20.	Robert Castleden	Monash Post Grad Student
21.	Jon Nichola	Citizen from Darebin
22.	Nicola Yaanis	Community Power Customer
23.	Robert Gordon	Mitchell Shire Council
24.	Julia Hickey	Energy & Water Ombudsman
25.	John Green	Ind.
26.	Michael Harris	Community Power
27.	Silvana Predebon	City of Yarra
28.	Esther Abram	Moreland Energy Foundation
29.	Michelle Bennett	City of Darebin
30.	Andrew Rowe	Victorian Local Governance Association
31.	Darren Gladman	Environment Victoria
32.	Graeme Charles	Our Energy
33.	Gavin Dufty	St Vincent de Paul Society

34.	Terry White	Central Victorian Greenhouse Alliance
35.	Angie Ang-Cossins	DOI
36.	Angela Bourke	DOI
37.	Jake Gordon	2/7 Cooma Street, Preston
38.	Libby Hynes	City of Darebin