



**ENERGY AND WATER
OMBUDSMAN**
Victoria *Listen Assist Resolve*



CER Consumer Protections Review

Energy Water Ombudsman (Victoria) Submission

February 2025

Introduction

The Energy and Water Ombudsman (Victoria) (**EWOV**) welcomes the opportunity to provide a submission in response to the Department of Energy, Environment and Climate Action's (**DEECA**) Consumer Energy Resources (**CER**) Consumer Protections Review Directions Paper. As Victorian consumers continue to invest in the rapid growth and innovation within the CER sector, EWOV strongly supports the development of a robust regulatory framework that strengthens consumer protections and ensures greater consistency in the products and services offered.

EWOV is a free and independent dispute resolution service that assists Victorian consumers to resolve energy and water-related issues. We work to ensure fair and reasonable outcomes and use our unique data insights to inform improvement across the sector. Through our engagement with consumers, businesses, government, regulators and the wider community, we seek to advance consumer and market outcomes, supporting Victorians as they navigate an increasingly complex energy landscape.

The rapid expansion of CER products and services promises significant opportunities for emissions reduction, improved health outcomes and long-term consumer financial benefits, but also creates new risks for consumers. It is critical to establish clear consumer protections and accessible avenues for redress as the market continues to evolve so that these benefits can be realised and risks mitigated. EWOV is uniquely positioned to offer a single point of dispute resolution services for CER consumers, helping to address the challenges of complexity, new technology and new providers, and supporting accountability across the consumer journey. Having regard to the essential nature of CER in Victoria's energy future and Victorians reliance on it as a direct source of supply, EWOV sees the entrance of CER products and services into its external dispute resolution scheme as a logical extension to our traditional role of supporting consumer access to essential energy supply. We also consider this extension is entirely consistent with our decades-long experience with traditional energy complaints.

EWOV supports DEECA's proposal to extend the traditional energy licensing regime to include CER products and services as a critical step toward a regulatory framework that supports consistency and fairness. In developing this submission, we have drawn on EWOV's prior submissions, reports and case studies to highlight the lived experience of consumers engaging with CER products or services. These insights reinforce the importance of extending regulatory protections, particularly in the areas of licensing and external dispute resolution (**EDR**), and overall conduct obligations.

EWOV remains committed to working closely with DEECA and other relevant stakeholders as the policy, legislative and regulatory mechanisms are refined. By drawing on our expertise and insights, we are pleased to contribute to the design and operationalisation of a framework that promotes fairness, accountability and confidence in the CER market.

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Recommendations

Part 1: Monitoring, compliance and enforcement

Proposed approach to strengthening consumer protections for CER

1. EWOV **supports** the establishment of a licensing scheme to establish consumer protections for CER products and services.
2. EWOV **recommends** external dispute resolution be included as a minimum obligation for CER activities covered by the licence framework.
3. EWOV **supports** the ESC as the designated regulator with responsibility for the licence framework, noting the importance of meaningful enforcement capability.
4. EWOV **recommends** the licence framework establishes licence classes associated with conditions for CER providers.
5. EWOV **recommends** DEECA limit the scope of any exemptions in the proposed framework.

Defining Consumer Energy Resources

6. EWOV **recommends** DEECA refine the definition of CER to ensure it clearly captures:
 - a) energy services (e.g. virtual power plants (VPPs) and aggregation, installation of secondary settlement points, configuration of energy smart appliances for demand response, and EV charging)
 - b) products which generate or store energy (e.g. solar panels, home batteries)
 - c) energy smart appliances configured for demand response (e.g. heat pump hot water, smart thermostats or demand responsive heating or cooling appliances which are configured on installation for demand response or participation in a VPP).
7. EWOV **recommends** the definition be drafted to avoid over-capture non-CER activities.

Extending protections and minimum standards to all CER activities

8. EWOV **supports** the extension of minimum standards to all providers of CER products and services.
9. EWOV **recommends** the ESC, as the proposed regulator, develop a mandatory code setting minimum standard requirements which draw on, and are informed by, existing programs and voluntary codes.

Identifying criteria for regulation and harm caused by CER activities

10. EWOV **recommends** appropriate criteria for regulation and harm relate to three overarching imperatives:
- a) role CER products and services play in supporting access to essential energy supply
 - b) safety of new energy connections, and
 - c) broader policy goals and settings to encourage the take-up of CER, orchestration of new CER and to reduce emissions to enable the transition to net zero.

Part 2: Intended outcomes and directions for specific obligations

Implementing a general customer duty

11. EWOV **supports** the introduction of a general customer duty requiring CER providers to ensure their products and services are supplied efficiently, honestly and fairly.
12. EWOV **recommends** the general consumer duty be supported by prescriptive requirements established by a CER retail code.

Appropriate information provision, sales and marketing

13. EWOV **supports** the prohibition of all unsolicited sales and high-pressure sales tactics for all CER in Victoria.
14. EWOV **recommends** providers should have obligations to give appropriate, clear and concise information to consumers.

Clear and fair quotes, contracts, and payment terms

15. EWOV **supports** the inclusion of specific standard terms and conditions in all quotes and contracts for CER.
16. EWOV **recommends** the grounds on which consumers can terminate a CER contract and any penalties associated with withdrawing, be further considered as part of the CER Code of Practice.
17. EWOV **recommends** the inclusion of a requirement for all contracts between consumers and CER providers to include explicit contract terms that include access to EDR.

Reliable energy supply and supports for hardship and vulnerability

18. EWOV **recommends** the extension of hardship and payment difficulty obligations to all CER activities regulated under the licensing framework based on licence class.
19. EWOV **recommends** the work of the Safety by Design partnership be applied to all CER activities to protect consumers experiencing family violence.

Clear responsibility for issues

20. EWOV **supports** a requirement to outline regulated activities and a provider's responsibility for these in contract terms provided to the consumer.
21. EWOV **recommends** EWOV be empowered to hear complaints end-to-end and join other relevant entities to a complaint, to support apportioning responsibility when a dispute arises.
22. EWOV **recommends** establishing scalable complaint handling standards depending on the class of licence held.

Part 3: Customer access to free and independent dispute resolution

Benefits of EWOV as an external redress mechanism

23. EWOV **strongly supports** extending EDR jurisdiction for all CER activities regulated through the licensing framework to EWOV.

Key considerations for effective incorporation of CER providers as EWOV members

24. EWOV **recommends** mandatory membership of EWOV as a requirement for all CER providers across all licence classes.
25. EWOV **recommends** that the current structure for EWOV membership fees is applied to CER providers noting the flexible approach to membership categories and fees could be applied based on licence class.
26. EWOV **recommends** that flexibility in operating and complaint handling models is required for EDR to be sufficiently adaptable for the diversity of CER complaints that may arise.

Types of CER activities that should be covered by EDR

27. EWOV **recommends** that the full suite of regulated CER providers and their products and services fall within EDR.

Part 1: Monitoring, compliance and enforcement

EWOV supports the key elements of DEECA's proposed approach to extend the consumer protection framework to incorporate CER and capture the emerging market of new energy technologies. The CER licensing framework must be supported by an effective regulator with appropriate monitoring, compliance and enforcement powers. It must also have a single point of EDR to assist Victorian consumers to resolve complaints about new and emerging energy technologies, and which is able to capture and share insights into the operation and development of the evolving market to guide regulatory design and actions.

Question 1: In general, what is your response to DEECA's proposed approach to strengthening consumer protections for CER through a licensing and/or exemptions scheme for CER providers?

- *Do you have any further comments about the proposed approach (see q 1)?*
- *How do you think CER activities should be regulated if not via a licensing and/or exemptions scheme?*

Proposed approach to strengthening consumer protections for CER

EWOV strongly supports DEECA's proposed approach to prohibit defined CER activities without a relevant licence through leveraging and expanding the existing licensing framework. This approach enables a shorter implementation timeline to better support consumer take-up of CER activities and expedite effective utilisation of CER in the short term while meeting the need for a consumer protection framework that covers the end-to-end consumer journey.

There are also clear benefits to retaining a single framework, particularly as CER activities continue to play a more integral role within traditional energy markets.¹ This approach will also address the current fragmentation of consumer protections within the market, whereby different levels of safety, conduct and quality protection attach to different services, products and providers. Setting minimum, appropriate and future-proof compliance requirements for CER licensees will mitigate the risk of inconsistent and potentially unsafe or adverse outcomes for consumers of CER products and services. EWOV strongly supports the move to capture both CER products and services within the definition of CER activities. This reflects both the integral and intertwined role that both CER products and CER services together play in meeting consumers' energy requirements.

EWOV supports extending the current legislative requirements, which requires energy retailers and distributors to be a member of an external dispute resolution (EDR) scheme, to apply as a standard licence condition issued to persons or entities engaging in CER activities.² This measure would see CER licensees required to become part of EWOV's EDR

¹ Australian Energy Regulator, *Review of consumer protections for future energy services - Final advice report*, November 2023, 3.

² See section 28(1) of the *Electricity Industry Act 2000* (Vic).

scheme as a standard condition of licence. We discuss the benefits of this requirement and the options for a flexible, scalable and appropriate EWOV membership in more detail in [Part 3](#).

EWOV also supports the Essential Services Commission (ESC) as the designated regulator with responsibility for the expanded licence framework. The ESC already has responsibility for licensing businesses involved in supporting electricity in Victoria and establishing and maintaining codes and guidelines for energy retailers and distributors in Victoria. The ESC also has an existing role in regulating participants and products in the Victorian Energy Upgrades (**VEU**) program to deliver affordable energy efficiency improvements for consumers and reduce energy consumption. This exposure to regulation of energy products as well as the energy industry, positions ESC well to expand its regulatory responsibilities further to include CER products and services.

The ESC has taken strong measures to ensure that consumer protections within the Victorian energy markets are addressed within the existing licensing and regulatory framework. Considering the high degree of integration into the electricity grid which CER has already reached, and the role ESC will continue to play in consumer uptake of CER products, the ESC is uniquely well placed to accept CER into its existing regulatory responsibilities.

Expanding the licensing framework to apply to CER activities should also see the ESC empowered to:

- develop codes of practice which must be followed by licensees when engaging in CER activities, once defined. Current industry Codes are subject to regular review which ensures that this approach can provide the necessary flexibility as the market continues to evolve, expand and mature
- establish entry requirements for different classes of licence, and
- set licence conditions (including membership of a recognised external dispute resolution scheme) which are scalable and flexible by attaching specific compliance obligations or conditions to licence classes.

By establishing a framework of licence classes, the obligations a provider is required to meet could be determined based on a range of variable factors, including a provider's number of CER customers, turnover, the type of products and services they offer and the risk of harm to customers of those products and services.

Extending baseline consumer protections and standard obligations to all CER providers improves consumer trust and confidence in the uptake of CER, particularly where this involves significant out-of-pocket costs for consumers and, in some cases, remote access and control of consumer assets.

Need for CER services and products to be part of regulated environment

EWOV strongly supports measures to ensure correct and appropriate CER compliance requirements for consumer facing CER activities. Trust has been widely identified as a key component of well-functioning markets as “individuals and organisations will find it difficult (if not impossible) to operate effectively if they do not enjoy the trust and confidence of the community in which they are located”.³ In our view, a clear pathway towards maintaining and increasing consumer trust in CER products and services will be supported by clear and consistent baseline consumer protections, particularly in a context where there may be multiple providers involved in the installation and operation of CER.

EWOV has previously outlined a range of issues experienced by consumers installing solar in our *Solar Customer Journey map*.⁴ Using solar panel installations as an example, we note that there are often multiple providers involved serving specific functions in the sale, installation and configuration of CER, creating a range of issues at key “handshake” moments where different providers are responsible for different stages of the connection process.⁵

EWOV has received complaints about delayed or incorrect CER installation, connection errors or misconfiguration of CER with a consumer’s existing tariff settings, and non-compliant or faulty CER creating poor outcomes for consumers. Complaints about new and legacy CER installations emphasise the additional difficulties consumers face in negotiating the completion of paperwork, technical limitations and configuration of new assets. The difficulties involved with navigating complex CER services and products can be more acute where consumers face language difficulties or are not able to understand their bill.

Without an effective EDR that can respond to claims for both products and services, confidence in the market will be undermined, and overall take up of new technology is likely to slow. The Telecommunications Industry Ombudsman is a relevant example of how a jurisdiction of an ombudsman scheme can include disputes about devices and equipment which affect access to telecommunications services. This demonstrates how complaints about products fit comfortably into an ombudsman jurisdiction, and how consistency and supporting the end-to-end consumer journey provides better outcomes for consumers, sustaining trust and confidence in the market as a whole. Central to the design of ombudsman schemes is their ability to take account of and apply relevant law. As such, the

³ The Ethics Centre (2018). *Trust, Legitimacy and the Ethical Foundations of the Market Economy*. Available at: https://ethics.org.au/wp-content/uploads/2019/02/The-Ethics-Centre_180410-on-trust-and-legitimacy.original.pdf

⁴ EWOV Solar Customer Journey Map (2022), available online. <https://www.ewov.com.au/reports/ewov-solar-customer-journey-map-april-2022>

⁵ EWOV, Submission to DEECA Protecting Consumers of Distributed Energy Resources, November 2022. <https://www.ewov.com.au/uploads/main/Energy-and-Water-Ombudsman-Victoria-Submission-to-DELWP-Protecting-consumers-of-DER-18-November-2022.pdf>; EWOV, *Victorian Energy and Water Ombudsman’s Investigation of Consumer Experiences (VOICES)*, www.ewov.com.au/reports/voices

TIO and EWOV are able to apply the Australian Consumer Law to disputes involving products as part of their overall remit.

Legislative amendment is required to expand the licensing framework

As noted above, EWOV strongly supports DEECA's proposal that the current licensing framework be expanded to include CER consumer protections. CER services and products do not currently fall within the scope of an electricity licence as defined under the *Electricity Industry Act 2000* (Vic) (**EIA**). EWOV understands that DEECA's proposal to expand the EIA prohibition to include CER activities and products will require legislative amendment to bring CER activities within scope as a regulated industry. At the same time as expanding the EIA prohibition to CER activities, these legislative amendments should ensure that the appropriate regulator is provided enforcement powers to meaningfully ensure compliance.

EWOV considers that creating licence classes with varying associated conditions for CER providers allows for a scalable and proportionate approach to regulation for different types and sizes of provider. We consider this to be preferable to having an exemption scheme which creates different regulatory approaches to providers operating within the same market for the same products and services. This risks complexity and confusion for providers and consumers.

A requirement to be licensed to offer CER services or products to Victorian consumers obviates the risks presented by self-assessment.⁶ We encourage DEECA to limit the scope of exemptions in the proposed framework, which can result in regulatory complexity and ambiguity for both providers and consumers, resulting in confusion, additional cost and inconsistent and poor outcomes.⁷

Licence classes can also be leveraged to avoid regulatory overlap. For example, many CER providers are already subject to licensing requirements by Energy Safe Victoria (**ESV**) (i.e. for electricians) and the Victorian Building Authority (**VBA**) (for plumbers). The licence classes could therefore include 'lighter' licence categories for CER providers engaging in limited CER activities who are already licensed by recognised authorities, with licence conditions simply expanding on compliance requirements for those professionals when they engage in CER activities, including for example, a minimum requirement for membership of the relevant EDR scheme.

⁶ Department of Environment, Land, Water and Planning, *Embedded Networks Review Final Recommendations Report*, see 4.2

⁷ For a comprehensive list of issues relating to embedded networks see Joint Energy and Water Ombudsman, *Review of the Australian Energy Regulator (AER) exemptions framework for embedded networks – Issues Paper*, February 2024. <https://www.ewov.com.au/uploads/main/Joint-Ombudsman-Submission-Review-of-the-AER-exemptions-framework-for-embedded-networks-February-2024.pdf>

Recommendations:

1. EWOV **supports** the establishment of a licensing scheme to establish consumer protections for CER products and services.
2. EWOV **recommends** external dispute resolution be included as a minimum obligation for CER activities covered by the licence framework.
3. EWOV **supports** the ESC as the designated regulator with responsibility for the licence framework, noting the importance of meaningful enforcement capability.
4. EWOV **recommends** the licence framework establishes licence classes and associated conditions for CER providers.
5. EWOV **recommends** DEECA limit the scope of any exemptions in the proposed framework.

Defining Consumer Energy Resources

Question 2: Do you think DEECA's draft definition appropriately captures CER activities that require regulation to prevent consumer harms?

Please explain what changes you would make or what is missing from the definition of CER activities.

EWOV welcomes the intent of DEECA's draft definition for CER, which goes beyond energy services, to capture key products or appliances that constitute CER. Including these products or smart energy appliances is increasingly crucial for a fit-for-purpose consumer protection framework and maintaining consumers' trust and confidence in this market.

We recognise the scope of the proposed definition aims to future proof the framework, capturing innovation in both products and services. This broad scope, which includes products, is necessary to provide EWOV with fulsome capacity for dispute resolution for CER activities.

Where consumers purchase new CER products and find part of their system is faulty on arrival or fault originates with the installation, the framework needs to be broad enough in scope to ensure consumers can quickly and easily seek a remedy from their CER provider. In the case of bundled CER – where a retailer sells products such as solar photovoltaic (solar PV) or home batteries in conjunction with a specific tariff – the installation and configuration of products can result in different parties disputing responsibility for part of the process (see appendix, **case 2**). The challenges associated with defining clear responsibility for issues is further detailed in [Part 2](#).

However, we caution that DEECA's proposed draft definition may inadvertently over-capture some non-CER activities if not linked to, for example, an appropriate capacity. For example,

a “behind-the-meter energy activity” that “stores electricity” could be interpreted to mean a behind-the-meter non-CER household appliance such as a laptop battery which functions to store energy for a consumer’s portable use. Similarly, a “behind-the-meter energy activity” that “impacts an electricity-related service” could include almost any activity within a home which draws on electricity supply and has an impact on the consumer’s bill.

In our view, the final CER definition needs to cover the potential source of CER related consumer harm whilst excluding everyday electrical products and appliances - such as TVs, fridges or personal electronics - which presumably would not be intended to be captured by the scheme.

Alternatively, or in addition to a principles-based definition, the preferred CER regulator could be given powers to declare products and services to be CER activities products for the purposes of the CER licensing framework, and to list these in a separate regulatory framework and associated classes. This declarative power could be subject to periodic, regular risk-based review to ensure relevant CER services and products are included in the protection framework as they emerge, enabling innovation.

The Clean Energy Council (**CEC**) maintains a list of approved solar PV modules, inverters and batteries that meet Australian standards. Many Distributed Network Service Providers (**DNSPs**) already require CER products to be approved by the CEC before permitting the CER product to be connected to their distribution networks. For ease of consistency and to reduce regulatory overlap in the context of CER products, the ESC could declare any products which appears on the CEC approved list to be CER products for the purposes of identifying which products in the Victorian market are subject to the CER licensing framework. This approach would ensure consistency across regulatory frameworks, industry practice and streamline approvals for CER retailers. Furthermore, this approach could prove sufficiently flexible to respond to the dynamic and ever-evolving nature of the CER industry which has seen new and emerging products regularly and rapidly enter the market.

Alternatively, s 40SA(g) of the EIA sets out a list of equipment which the EIA defines as *life support equipment* and additionally confers power on the ESC to specify further equipment to be life support equipment under an applicable Code for the purposes of the EIA. Schedule 7 of the Energy Retail Code of Practice (**ERCoP**) as published by the ESC then lists additional equipment considered to be life support equipment within the meaning of the EIA.

A similar approach could be adopted in relation to extending the licensing framework to apply to CER products and services, with a preliminary list of CER products and services established and the ESC given the ongoing power to specify other products or activities to be CER for those purposes. The ESC regularly reviews its industry Codes through a process which involves significant public consultation. This approach and process could also be used to ensure that prescribed CER activities are subject to periodic review and update to ensure ongoing flexibility and account for the emerging nature of the CER markets.

Recommendations:

6. EWOV **recommends** DEECA refine the definition of CER to ensure it clearly captures:
 - a) energy services (e.g. virtual power plants (VPPs) and aggregation, installation of secondary settlement points, configuration of energy smart appliances for demand response, and EV charging)
 - b) products which generate or store energy (e.g. solar panels, home batteries)
 - c) energy smart appliances configured for demand response (e.g. heat pump hot water, smart thermostats or demand responsive heating or cooling appliances which are configured on installation for demand response or participation in a VPP).
7. EWOV **recommends** the definition be drafted to avoid over-capture of non-CER activities.

Extending protections and minimum standards to all CER activities

Question 3: Should these obligations (those under Solar Vic's Solar Homes Program incl. becoming a signatory to NETCC) be extended to all relevant solar, solar battery, and hot water retailers and installers, including those outside the Solar Homes Program?

Question 4: Do you think the Solar Homes program requirements should extend to other CER activities (with amendments reflecting these activities)?

Establishing a mandatory code of practice for CER products and services

EWOV strongly supports the introduction of consistent minimum standards for market participation for all providers of CER products and services. This measure establishes a level playing field for CER providers and helps support consumer confidence that ethical business practices, high-quality installation and appropriate standards are met.

An instrument setting minimum standard requirements could draw on obligations such as those outlined in the Solar Vic Notice to Market and conduct requirements in the New Energy Tech Code of Conduct (NETCC). This instrument could apply these standards to CER services and products, based on the licence class, as part of extending the licensing framework to CER activities.

Current industry Codes, such as the ERCoP, are subject to periodic review informed by public consultation. The existing minimum standard requirements could be drawn on to inform a similar stand-alone CER Code of Practice, or extension of the ERCoP, and be applied to CER activities in a sufficiently flexible manner to respond to changing markets and the unique regulatory environment within Victoria.

Extending existing consumer protections under the Solar Homes Program

In its current form, the Solar Vic Notice to Market is required for businesses seeking to utilise government rebates. Broadly, EWOV supports the extension of the principles and requirements for providers set out in the Solar Homes program, as a blueprint, to apply to all CER providers. This would ensure all providers are subject to the same compliance requirements as part of the move to extend the licensing regime to apply to CER activities.

Role of voluntary industry codes

Voluntary industry codes are often insufficient to ensure all providers meet minimum standards which can impact levels of responsiveness to consumer complaints and often do not have flexibility to rapidly adapt to the introduction of new technology.

Moreover, even where a voluntary code requires membership of EDR, such as EWOV, because they are voluntary in nature, they provide limited recourse and protection for consumers seeking redress. Providers can choose to no longer be a signatory, meaning there is no enforceable EDR.

Applying consistent regulatory requirements to all CER activities improves outcomes by setting out baseline consumer protections. This also provides a level playing field for all providers and ensures effective and appropriate regulatory oversight.

Recommendations:

8. EWOV **supports** the extension of minimum standards to all providers of CER products and services.
9. EWOV **recommends** the ESC, as the proposed regulator, develops a mandatory code setting minimum standard requirements which draws on, and is informed by, existing programs and voluntary codes.

Identifying criteria for regulation and harm caused by CER activities

Question 8: Are there specific criteria the government should consider when addressing regulation of CER activities? What are these and why are they important?

EWOV considers government should have regard to key overarching imperatives when developing specific criteria for addressing the regulation of CER activities: avoidance of consumer harms and realisation of policy objectives. The types of harm which unregulated CER may expose consumers to include denial of access to essential energy supply, adverse safety outcomes and poor financial outcomes. Separate to these consumer harms, there is a wider policy objective related to Australia's commitment to reduce emissions to address the effects of climate change, which emission reduction policies seek to address. These

imperatives underpin regulation of CER activities and seek to enhance consumer protection as a strong signal to consumers that CER products and services can be trusted.

The impact of CER on essential supply to the premises

The first imperative relates to access to energy and security of supply to the premises. Current energy consumer protection frameworks contain strong safeguards, designed with the traditional energy markets in mind, reflecting the essentiality of connection to energy to sustain domestic, commercial and industrial activity.

The take-up of CER and the electrification of gas appliances typically involves a sizable capital outlay, with the expectation that new CER will payback this investment over time through offset energy costs. However, where new CER does not offset or reduce energy costs as anticipated, this can exacerbate energy affordability difficulties, potentially creating further payment difficulties (see appendix, **case 4**).

Accordingly, consumers can face heightened risk relating to their essential access and essential supply to the premises, as a result of poor conduct by CER providers. In developing specific criteria for CER regulation, DEECA should consider the role that new CER plays in supporting access to essential energy supply, as well as potential new risks to this supply in the absence of new consumer protections.

Safety and compliance as an essential feature for public confidence

The second imperative relates to safety and compliance of energy connections. This imperative is broadly addressed and regulated through the current licensing of key trades to ensure the safe installation of key household appliances (e.g. **ESV** and **VBA**). While some CER activities now require accreditation (through Solar Accreditation Australia (**SAA**)), the growth of CER activities and accelerating transition away from gas to electric appliances may require the accreditation regime to evolve to ensure the installation of new and emerging CER activities are safe.

For example, EWOV receives a small but growing number of consumer complaints relating to heat pump hot water installation issues. In some cases, EWOV cannot consider the complaint as it would not fall within our current jurisdiction even where the billing impact is material and potentially creates payment difficulty (see appendix, **case 9**).

Safety and compliance of CER installations is particularly pertinent because consumers may not easily identify faulty or non-compliant CER installations due to the technical complexity of CER. Moreover, evidence from regulatory audits highlights how the lack of effective oversight in the market to date has resulted in widespread non-compliance. An audit in 2022 by the Australian Energy Market Operator (**AEMO**) found only 37% of CER devices connected to the National Energy Market (**NEM**) in Q1 of 2022 were correctly configured to the appropriate standard, while the Clean Energy Regulator's (**CER**) audit of inverters found

55% of inverters with visible settings had settings that were incorrect in some way.⁸ Incorrectly configured CER products, particularly inverters, can create problems for broader power security.⁹ Where systems are functional but not compliant, they can create legacy problems for consumers seeking repair, maintenance or addition to their system. Crucially, consumers may be unable to easily identify these installation or configuration issues themselves, unless the issue causes an immediate adverse impact on the bill.

Policy imperatives to provide government, consumers and industry priorities

The third imperative relates to broader policy goals and settings and the objective to reduce emissions as supported by a range of policy initiatives to encourage uptake of CER. This take-up of CER is expected to play a critical role supporting an economically efficient pathway to decarbonising Australia's energy sector. Effective orchestration of these consumer owned assets is crucial to support the value proposition of this take-up and the broader security of the energy grid. An imperative around enhanced protections serves to derisk these new products, to ensure consumers can have trust and confidence to invest in CER and trust the remote, active management of their assets and thereby support the broader policy objectives.

In the context of the policy aims outlined in the *Gas Substitution Roadmap*,¹⁰ consumer access to a minimum level of consumer protections (including access to EDR and enforced by a regulator) is key to phasing out gas appliances through the uptake of electric replacements.

Policy imperatives as a key criterion can also accommodate explicit policy goals and government priorities designed to encourage the transition through consumer investment and uptake in particular products or behind-the-meter activities. For example, there may be strong policy imperative to drive consumer uptake of particular CER products, such as EV chargers to support the build out of infrastructure needed to facilitate Australia's shift to electric vehicles. This criteria provides government and regulators with an additional consideration, and potential lever to draw on, to reflect whether a CER product or service requires regulation and in particular consumer protection, as well as considering how they may enable broader policy objectives as they arise.

⁸Australian Energy Market Operator, *Compliance of Distributed Energy Resources with Technical Settings*, April 2023 <https://aemo.com.au/-/media/files/initiatives/der/2023/compliance-of-der-with-technical-settings.pdf?la=en>, 38.

⁹ Ibid, 6-8.

¹⁰ DEECA, *Gas Substitution Roadmap: Update 2024, Energy Consumers at the heart of the transition*, 2024 <https://www.energy.vic.gov.au/renewable-energy/victorias-gas-substitution-roadmap>

Recommendation

10. EWOV **recommends** appropriate criteria for regulation and harm relate to three overarching imperatives:

- a) role CER products and services play in supporting access to essential energy supply
- b) safety of new energy connections, and
- c) broader policy goals and settings to encourage the take-up of CER, orchestration of new CER and to reduce emissions to enable the transition to net zero.

Part 2: Intended outcomes and directions for specific obligations

Question 11: Under a principles-based general customer duty, providers could be required to act efficiently, honestly and fairly to deliver positive customer outcomes. What do you think a general customer duty would need to include to ensure a focus on achieving positive consumer outcomes?

Question 12: Are there specific customer outcomes that you think a general customer duty should be tied to?

Implementing a general customer duty

Efficient, honest, fair requirement

EWOV strongly supports DEECA's proposal to introduce a consumer duty requiring providers to act efficiently, honestly and fairly. Such an obligation informs providers of the need to balance their own interests with that of the consumer. EWOV has also recommended the ESC consider introducing this same conduct obligation in the ERCoP.¹¹ Beyond the energy sector, the application of principles in other markets has proven to be effective in restraining misconduct and supporting improved consumer outcomes.¹²

A clear principle, put in well-understood terms that reflects wider societal values and community expectations, should drive improved conduct and outcomes. However, EWOV recognises that a balance needs to be struck between general principles and targeted, prescriptive rules, and the enforceability of each.

A consumer duty helps build trust and confidence

The Australian Energy Regulator has also noted that introducing principles-based regulation with a strong focus on consumer outcomes would ensure the consumer protection framework could adequately protect consumers in an evolving market, supporting trust and confidence in the energy transition.¹³ EWOV has witnessed the impact of a rapidly-changing market in which new products, services and business models are being developed, rolled

¹¹ EWOV, *Submission on the Energy Retail Code of Practice*, July 2024
<https://www.ewov.com.au/uploads/main/EWOV-submission-to-the-ESC-%E2%80%93-Review-of-the-Energy-Retail-Code-of-Practice-%E2%80%93-July-2024.pdf>, 5.

¹² See Australian Law Reform Commission, *Interim Report A: Financial Services Legislation* (ALRC Report 137, November 2021) (*FSL Interim Report A*) at 70-81.

¹³ Australian Energy Regulator, *"Review of consumer protections for future energy services"*, November 2023, p 3.

out and taken up at a rapid pace and where actions have led to poor consumer outcomes driven by, at best, a lack of sensitivity to consumer interests, and at worst, misconduct.

The risk of making a bad purchase can result in consumers deciding that not installing CER presents as the safest option due to the uncertainty of expected product performance or outcomes. This risk increases with the value of the purchase and its potential to impact access to supply. Principle based regulation is designed to build consumer confidence in CER by embedding a broad coverage consumer protection and placing a reasonable onus on providers to ensure that their interests are balanced with consumers' needs.

A consumer duty provides consumer protection over an expanding market

EWOV considers that, absent an overarching principle which clearly expresses the fundamental consumer protection intent of the consumer protection framework, policymakers and regulators risk forever playing 'catch-up' with industry products and practices in a way which could undermine the effectiveness of the framework in supporting access to essential energy products and services, and trust and confidence in the market more generally.

A consumer duty, such as efficient honest and fair, is already well established

This recommendation would align with other industries and jurisdictions that have such obligations already established. For example, Australian financial services licensees are subject to an obligation to do all things necessary to ensure their licensed financial services are provided efficiently, honestly and fairly.¹⁴ This consistency means there is a strong body of jurisprudence on which to draw in order to interpret and implement these requirements.

This jurisprudence has established that acting efficiently, honestly and fairly requires consideration of not only contractual terms, relevant codes or statutory obligations, but also the consumer's individual circumstances and the adequacy of the service provided.¹⁵ The obligation is not limited to one aspect of the service provided but requires consideration of competency and appropriateness at every stage of the consumer/licensee relationship.

This obligation does not require perfection, and it allows for errors or mistakes.¹⁶ However, when an error or known issues arises, the obligation requires doing what is necessary in the circumstances to minimise consumer harm where it is fair and reasonable to do so. It requires an underlying notion of ethical decision making.¹⁷

A consumer duty does not have to stand alone

This overarching general conduct obligation could be read in combination with other more prescriptive requirements to give effect to the intended outcomes outlined in DEECA's CER directions paper. Such prescriptive requirements could be contained in a subsequent instrument such as a "CER retail code", enabling the regulator to update the instrument

¹⁴ *Corporations Act 2001* (Cth), section 912A(1)(a); <https://asic.gov.au/for-finance-professionals/afs-licensees/afs-licensee-obligations/>

¹⁵ *ASIC v AGM Markets Pty Ltd* (in liquidation) (no.4) [2020] FCA 1499.

¹⁶ *ASIC v Commonwealth Bank of Australia* [2022] FCA 1422.

¹⁷ *ASIC v Avestra Asset Management Ltd* (in Liquidation) [2017] FCA 497.

without further legislative change. We note that this builds off the recommendation above that the ESC, as preferred regulator for CER activities, also publish CER Codes of Practice, or extend ERCoP to cover CER.

Recommendation:

11. EWOV **supports** the introduction of a general customer duty requiring CER providers to ensure their products and services are supplied efficiently, honestly and fairly.
12. EWOV **recommends** the general consumer duty be supported by prescriptive requirements established by a CER retail code.

Appropriate information provision, sales and marketing

Question 14: Victoria has banned energy retailers engaging in unsolicited high-pressure sales tactics such as door to door sales or cold calling. Victoria has also banned unsolicited sales of CER via government programs. Do you support prohibiting all unsolicited sales for CER in Victoria?

Question 15: Please provide any other comments about information provision, sales and marketing, and explain why you hold these views.

Banning unsolicited sales

EWOV has observed examples of consumers experiencing unsolicited marketing or pressured sales for emerging CER.¹⁸ As in the energy market, there is potential for significant consumer harm through the use of these tactics, and EWOV supports the extension of this ban to the CER market.

Given the complexity of installation and retail arrangements and the private cost borne by consumers, there is a strong case to prohibit all unsolicited sales of CER. Investing in a CER product or service often represents a significant financial responsibility and outlay in the household budget and should not be a decision committed to in the context of high-pressure sales tactics, particularly in the case of vulnerable consumers who are not well equipped or resourced to advocate for themselves.

Provision of clear, concise information is essential to manage consumer expectations

Ensuring consumer access to appropriate information about product performance and technical limitations of increasingly complex CER products and services is important to help to manage consumer expectations. Consumers do not always understand the limitations of

¹⁸ EWOV, *Submission to DEECA consultation paper on banning telemarketing under the Victorian Energy Upgrades program*, July 2023. <https://www.ewov.com.au/uploads/main/EWOV-Submission-to-DEECA-Banning-telemarketing-under-the-Victorian-Energy-Upgrades-program-28-July-2023.pdf>

their new CER which may be due to provision of inappropriate information or a misunderstanding about CER functionality which can result in misalignment between expectations and usage outcomes. Consumers may also receive highly complex information and be ill-equipped to determine the appropriate product for their usage, with the potential for providers to oversize (sell a consumer a larger than necessary system) or undersize (sell a consumer a smaller than necessary system).

Recommendations:

13. EWOV **supports** the prohibition of all unsolicited sales and high-pressure sales tactics for all CER in Victoria.
14. EWOV **recommends** providers should have obligations to give appropriate, clear and concise information to consumers.

Clear and fair quotes, contracts, and payment terms

Question 16: Should quotes and contracts for CER be required to include specific standard terms and conditions? Which elements of quotes and contracts should be standardised to protect customers and to what types of CER activities should they apply?

Question 17: Should customers be able to withdraw from CER contracts or agreements? Should limits be placed on when customers can withdraw from a contract?

Question 18: Should there be any penalties or consequences for customers if they withdraw from a CER contract? What should those penalties or consequences be?

Standard terms and conditions for all CER quotes and contracts

EWOV strongly supports a requirement that quotes and contracts for CER include model contract terms and conditions. As outlined above, the complexity of CER, combined with the fact it is a continually evolving, new market, means consumers are particularly at risk of misunderstanding or requiring additional information and clarity. There is a risk that consumers may not be familiar with the functionalities and expected performance of CER products.

Standard quotes should prioritise providing consumers clarity about what they are purchasing, how CER can impact usage and bills to enable consumers to estimate the value proposition of any CER investment.

Contracts must clearly set out:

- the consumer's right to bring a complaint to a recognised external dispute resolution service if internal dispute resolution is not successful

- the expected product performance and functionality and assumptions this is based on (for example, information used to advise on how many solar panels a household may need)
- the billing terms, conditions and process
- where consumers purchase bundled CER, clear information on feed-in-tariffs and any relevant terms relating to bi-directional services.

Providing this information early offers a level of protection and certainty upfront for both providers and consumers so that consumers can make informed decisions and are aware of avenues for support where there are issues.

Withdrawing from CER contracts

The introduction of an overarching consumer duty for providers to act efficiently, honestly and fairly, together with standard terms should assist in minimising consumer detriment through complex and confusing contracts. EWOV is well placed to provide fair and reasonable decisions about whether contracts were unfair or ambiguous, as well as consider the appropriate remedy, including appropriate compensation and / or termination of the contract.

Setting appropriate and clear grounds on which consumers can terminate contracts can be subject to further consideration as part of an industry CER Code of Practice. We note that Part 9 of the ERCoP sets out the rights and obligations of customers and energy retailers regarding the termination of retail contracts and consider that similar guidance can be provided for CER.

Recommendations:

15. EWOV **supports** the inclusion of specific standard terms and conditions in all quotes and contracts for CER.
16. EWOV **recommends** the grounds on which consumers can terminate a CER contract and any penalties associated with withdrawing, be further considered as part of the CER Code of Practice.
17. EWOV **recommends** the inclusion of a requirement for all contracts between consumers and CER providers to include explicit contract terms that includes EDR through EWOV.

Reliable energy supply and supports for hardship and vulnerability

Question 24: Under the proposed scheme, CER providers could be restricted to disconnecting, disabling or removing customers' CER only under certain circumstances. They could be expected to meet additional requirements should they become aware that a customer is experiencing payment difficulty or is affected by family violence or other vulnerability. What types of CER activities need specific protections to protect vulnerable customers?

Question 25: What types of supports should CER providers be required to offer to vulnerable customers?

Protections for vulnerable customers

EWOV strongly supports the extension of existing hardship and vulnerability requirements to CER consumers. We regularly observe examples where incorrect installation, configuration or operation of CER can compound a consumer's hardship through inconsistent supply or unexpected payments.

The principles in the existing hardship and payment difficulty protections already in place for energy-related products and services could be tailored and applied based on licence class to the whole CER market to address the unique risks presented by CER activities. For example, the *Energy Retail Code of Practice* incorporates the Payment Difficulty Framework (PDF), a set of rules to protect and support residential energy retail consumers that are anticipating or facing payment difficulty, among other things. This framework includes standard and tailored assistance that applies depending on the level of consumer hardship and applying a tailored approach to CER may mitigate risks for vulnerable consumers.

Where a consumer obtains a CER product via a credit product regulated by the *National Consumer Credit Protection Act 2009* (Cth), consumers anticipating or experiencing payment difficulty are entitled to request financial hardship repayment arrangements from their creditor, such as deferred or reduced repayments.

The emergence of new financing products offered directly by CER providers, as well as a shift towards bundling of products and services, may be out of scope of existing energy retail and credit protections. This may create uncertainty for consumers who experience payment difficulty related to CER about which providers are obligated to provide payment difficulty assistance and what assistance they are entitled to. It will be important that hardship protections are appropriately addressed as part of any CER regulatory reform.

Customers experiencing family violence

We note dynamic control over CER and possible uptake of new data- or internet-based services may give rise to capability to remotely control key essential appliances. EWOV notes specific risks that may arise in the context of family violence. For example, remote access and control of energy products and services could be used to identify when a victim-survivor is likely to be home or controlling the use of appliances and electric vehicles or exerting financial harm through excessive use of products and services to create high bills

and debt. There is an opportunity to leverage the work underway through the Safety by Design partnership and apply this work to CER activities to ensure systems, procedures and products are flexible and safe from misuse by perpetrators of family violence.

Recommendations:

18. EWOV **recommends** the extension of hardship and payment difficulty obligations to all CER activities regulated under the licensing framework based on licence class.
19. EWOV **recommends** the work of the Safety by Design partnership be applied to all CER activities to protect consumers experiencing family violence.

Clear responsibility for issues

Question 29: Where multiple parties are involved, how do you think their responsibilities should be made clear to the customer?

Question 30: How do you think responsibility should be apportioned between different parties for issues?

Question 31: How prescriptive or extensive do you think requirements for internal processes for managing claims and complaints should be?

Clear responsibility where multiple parties are involved

EWOV has observed that issues can arise when responsibility for CER products and services are not clearly articulated. Under the proposed model, a licensed entity will be responsible for activities that fall within its regulated conduct, whether it be the sale of a regulated CER product or a CER service, such as installation. These specified regulated activities should be made clear in documentation provided to consumers as part of the contract terms with the consumer. The extent of this requirement could be scaled depending on the class of licence and associated conditions.

Apportioning responsibility between parties

Apportioning responsibility and identifying a fault can be especially complex where more than one party has contributed to poor outcomes or certain product settings have unexpected impacts on downstream services provided by retailers. These complexities highlight the need for EWOV to have end-to-end jurisdiction to provide fulsome redress.

A dispute resolution body enabled to hear complaints end-to-end, as well as the ability to join other relevant entities, can assist with apportioning responsibility where there is a dispute between parties regarding liability (see appendix, **case 6**). Ombudsman schemes in other jurisdictions exercise this power and apportion liability based on what is fair in all the

circumstances.¹⁹ This prevents a scenario where a consumer must take their complaint to one forum against provider A and a different forum against provider B. Such a scenario would be time consuming, costly and may result in inconsistent outcomes or a lack of recourse.

Internal complaint handling

Documentation provided to consumers should also include clear dispute mechanisms for dealing with customer claims and complaints and the escalation of those complaints to a EWOV. The extent of these obligations could vary depending on the licence class to reflect the relevant product or service offered by the service provider. This would enable a scalable and fit for purpose dispute resolution mechanism.

For example, the dispute resolution requirements on sole traders such as electricians may simply be to alert consumers of who and how to complain if required and where to escalate if they are unsatisfied with the response. For larger entities there may be prescriptive requirements for complaints handling, including:

- timeframes for claims and complaint responses by the provider
- form of complaint responses (when they need to be in writing),
- timeframes and set stages for providers to alert customers of their ability to lodge a complaint with EWOV (ie. at the start of the complaint, after a certain time period in the case of extended complaint handling times and on closure of the complaint), and
- reporting on complaint volumes and types to the ESC to allow visibility of any possible systemic issues as they arise (for example, for those providers that participate in a government subsidy scheme).

Recommendation

20. EWOV **supports** a requirement to outline regulated activities and a provider's responsibility for these in contract terms provided to the consumer.
21. EWOV **recommends** EWOV be empowered to hear complaints end-to-end and join other relevant entities to a complaint, to support apportioning responsibility when a dispute arises.
22. EWOV **recommends** establishing scalable complaint handling standards depending on the class of licence.

¹⁹ A.6 AFCA Rules (1 July 2024)

Part 3: Customer access to free and independent dispute resolution

Question 33: As an established EDR body with existing policies, processes and expertise, DEECA considers that EWOV would be most efficient and effective EDR body for CER matters. Do you agree?

Benefits of EWOV as an external redress mechanism

As an experienced and established Ombudsman scheme, EWOV is well-positioned to facilitate fair and reasonable outcomes for CER.

Ombudsman schemes are trusted sources of independent, fair and efficient dispute resolution, and generating and retaining public trust in the sectors they operate in is one of their key functions.²⁰ In its Access to Justice Inquiry, the Productivity Commission concluded that, when governments assess regulatory and other frameworks to enable appropriate pathways for dispute resolution, consideration should be given to subsuming new roles within existing Ombudsman schemes rather than creating new bodies.²¹

Effective and efficient EDR

Using EWOV as the dispute resolution body for CER has the benefits of:

- **Accountability** – Our work is guided by, and accountable to the principles in the Commonwealth *Government’s Benchmarks for Industry-based Customer Dispute Resolution* and performance against these benchmarks is independently assessed every five years. This provides a significant, ongoing and established mechanism of assurance that Ombudsman schemes operate in a way that is accessible, independent, fair, accountable, efficient and effective.
- **Cost and time effective dispute resolution services** – EWOV is a cost and time-effective way of resolving individual complaints compared to formal legal or regulatory avenues. As the Australian Productivity Commission (Productivity Commission) has observed, Ombudsmen mediate outcomes between parties and conduct investigations where necessary, removing the need for legal representation.²² Complainants face no, or very low costs and matters can be

²⁰ Creutzfeldt, N and Gill, C “The Impact and Legitimacy of Ombudsman and ADR Schemes in the UK”, The Foundation for Law, Justice and Society, 2014; Gill, C and Hirst, C 2016, *Defining Consumer Ombudsman: A Report for Ombudsman Services*, <https://eresearch.qmu.ac.uk/handle/20.500.12289/4556>

²¹ Productivity Commission, *Access to Justice Inquiry Report*, 2014, p. 50.

²² Productivity Commission, *Access to Justice Inquiry Report*, 2014, p. 11. As the National Inquiry noted in 2014, at that time, Ombudsman schemes had capacity to consider approximately 542,000 cases nationally requiring

resolved more efficiently.²³ The benefits are particularly pronounced for vulnerable consumers who face a number of barriers when seeking to access formal resolution pathways, meaning they are both more susceptible, and less well equipped, to deal with legal disputes.²⁴ The Productivity Commission also notes that industry Ombudsmen can create cost incentives for providers to resolve disputes in the most efficient manner possible, by requiring providers to pay case fees when Ombudsmen assist in resolving complaints.²⁵ EWOV is an industry-based scheme that charges providers largely based on the number of complaints EWOV handles against the provider, with costs increasing as the complaint escalates.

- **Informal process with binding powers** – EWOV operates an informal process with in-built flexibility to cater for the individual complaint. This enhances EWOV’s accessibility and suitability to all types of complainants, from those that are sophisticated business operators to the most vulnerable individuals. While EWOV will try and resolve complaints by agreement, it can make binding determinations. This clear pathway to a determination can assist by keeping the parties to a dispute focused and ensure the complaint can move expeditiously through to resolution.
- **Industry feedback and improvement** – Through its casework, EWOV is able to identify industry good practice but also identify gaps and opportunities for improvement to products, services and dispute resolution practices among its members, and to communicate these through direct engagement with member businesses.
- **Systemic issues identification and response** – If unresolved complaints against all CER market participants were able to be escalated to EWOV, this would allow EWOV to provide early insights on trends and possible systemic issues arising in the market before they become larger issues in the community. This systemic issue identification is a key function of EWOV’s that is built into the EWOV Charter.

Responding to systemic issues is important for addressing underlying policies or approaches that are driving complaints and for assisting consumers who have not raised a complaint or dispute but may, nonetheless, have been impacted by a systemic issue. The importance of identifying and responding to systemic issues is

approximately \$481 million combined government and industry funding across all Ombudsman schemes. Tribunals had capacity to consider approximately 395,000 matters, required parties to pay registry and legal fees if represented and required approximately \$508 million in government funding support. Civil courts had capacity to consider approximately 673,393 matters, required payment of registry, costs and other legal fees and required approximately \$836 million government funding.

²³ Ibid, p.11.

²⁴ Ibid, p.8.

²⁵ Ibid, p.11.

recognised as an important function of dispute resolution. For example, a 2020 journal article published in the *Harvard Negotiation Law Review* which conducted a 10-year review of the Australian Financial Conduct Authority and its predecessor Financial Ombudsman Service highlights how systemic issues approaches can be effective in identifying and resolving the root cause of issues that lay both within and outside a provider's system and provide benefits to a large number of consumers.²⁶

- **Ability to engage necessary expertise** - EWOV has engaged an in-house energy technical expert to assist investigators address more complex, technical complaints, and has well established processes to engage further expertise where required. Should CER become part of EWOV's jurisdiction, specialist skills and technical expertise would be engaged to support investigations concerning CER services or products.
- **Governance model and engagement approach** – EWOV 's Board comprises equal representation of community and industry Directors with an independent Chair. The scheme has a well-established stakeholder engagement practice and extensive outreach function. The scheme is subject to external independent review every five years against Commonwealth Treasury Consumer Dispute Resolution benchmarks, the report of which is made public.
- **A Fair and Reasonable jurisdiction** –EWOV's Charter and Constitution enables EWOV to consider any relevant laws, good industry practice or and industry codes to determine what is fair and reasonable as part of our case handling model, including but not limited to, *Australian Consumer Law*. This enables EWOV to utilise widely-understood consumer protections provisions with a long history of jurisprudence to inform our dispute resolution approach, which can provide clear guidance of regulatory expectations to CER providers.

Recommendation

23. EWOV **strongly supports** extending EDR jurisdiction for all CER activities regulated through the licensing framework to EWOV.

²⁶ Nuannuan Lin, & Weijun Hu. (2020). Systemic Issue Resolution in Two Dimensions: A Reflection Based on a Ten-Year Review of the Australian Financial Ombudsman Service. *Harvard Negotiation Law Review*, 26, 113–151.

Key considerations for effective incorporation of CER providers as EWOV members

Question 34: What do you see as the key considerations for effectively incorporating CER providers as EWOV members?

Membership

Ombudsman schemes have a history of an evolving jurisdiction. Since their original electricity jurisdiction, Energy and Water Ombudsman schemes have expanded to include gas, water and more recently, embedded networks. This has brought hundreds of additional members and complaints into EWOV's jurisdiction. EWOV has also proven to be well equipped to uplift and take on new and emerging energy and water issues, including recently being recognised as the EDR scheme under the ESC's Land Access Code of Practice. Together, these examples demonstrate our ability to absorb new jurisdictions as well as respond to and take up new industry issues.

EWOV does not currently have jurisdiction to consider most complaints made about CER providers.

EWOV recommends that membership of EWOV scheme must be mandatory for all relevant CER providers, establishing a one-stop shop for all providers and consumers in the CER market. It must be supported by appropriate legislation or enforceable rules that will allow the EDR provider to properly address all aspects of the complaint and, where necessary, determine the outcome of the complaint.

EWOV's Constitution allows a person to be eligible to be a member if they hold a licence (as defined) or are otherwise required by a law, delegated legislation, licence or order, determination or rule (made under a law) to be a member. This provides significant flexibility in the manner in which an entity can be eligible for EWOV membership. A licence condition requiring membership would be sufficient to require a licensee to become a member of EWOV.

In any event, EWOV's Constitution and Charter can be amended by agreement with members to incorporate an expanded jurisdiction, as last occurred in 2018.

Fees

EWOV has adopted a flexible approach to membership categories and fees, with a small base fee that currently scales up to reflect the number of customers a business has. This scalability of fees, which could also be tied to the licence or exemption class, reduces the financial burden on smaller providers.

In addition, EWOV's current model provides for 10 free referrals, which is the first stage of EWOV's complaint handling model. This means that entities that have minimal contact with EWOV do not pay case fees.

The majority of EWOV's case handling fees are dependent on the number and complexity of complaints that are received against the relevant provider. Members with few complaints therefore do not subsidise those providers that take up the majority of EWOV's resources.

Operating and case handling model

EWOV's operational model is responsive to market conditions. While EWOV saw a distinct drop in caseload following the COVID-19 pandemic period (18,208 cases in FY20/21 to 16,036 in FY21/22 to 15,262 in FY22/23)²⁷, cases increased significantly in in FY2023/24 (18,702), resulting in expanded operations. In 2024, EWOV implemented a significant overhaul of its case handling model, establishing a new approach that seeks to resolve cases more efficiently within its fair and reasonable jurisdiction.²⁸ Case volumes are projected to continue increasing, with over 12,000 already received since 1 July 2024 (at January 2025).²⁹

EWOV also has flexibility to provide bespoke complaint handling process for particular complaint types. For example, in response to the ESC's Land Access Code of Practice naming EWOV as the relevant EDR scheme, EWOV developed a bespoke land access dispute process and published a land access policy together with supporting collateral for landholders and transmission companies.³⁰ This demonstrates that if there are particular CER products or services that do not easily fit into EWOV's standard processes, EWOV has experience in tailoring the process to meet the needs of the complaint type.

Recommendations

24. EWOV **recommends** mandatory membership of EWOV as a requirement for all CER providers across all licence classes.
25. EWOV **recommends** that the current structure for EWOV membership fees is applied to CER providers noting the flexible approach to membership categories and fees could be applied based on licence class.
26. EWOV **recommends** that flexibility in operating and complaint handling models is required for EDR to be sufficiently adaptable for the diversity of CER complaints that may arise.

²⁷ EWOV Annual Reports at <https://www.ewov.com.au/reports/annual-report-2024>

²⁸ EWOV's Referral and Investigation processes, <https://www.ewov.com.au/start-a-complaint/our-process>

²⁹ EWOV Data Hub <https://www.ewov.com.au/data-and-reports/data-hub/trend-over-time>

³⁰ EWOV Land Access Complaints, <https://www.ewov.com.au/common-complaints/land-access>

Types of CER activities that should be covered by EDR

Question 35: Which types of CER activities do you think should be covered by external dispute resolution?

EWOV recommends that the full suite of regulated CER providers and their products and services fall within EDR, once defined.

For an EDR scheme for CER to be effective, it requires end-to-end jurisdiction to consider the full scope of a consumer's complaint. Where a part of the complaint (whether it be a particular provider, or a particular product or service) falls outside of EWOV's jurisdiction, this may result in an unsatisfactory outcome. As CER becomes more complex and costly, with products and services intertwined, this issue exacerbates.

For example, a customer may complain that their solar panels are not operating as promised. The customer will not know the cause of the issue which could be an issue with:

- consumer misunderstanding of expected functionality due to misleading marketing
- poor installation practices
- a faulty product
- billing errors.

It would be a frustrating and poor experience if the customer was limited to bringing one aspect to EWOV, only to be told that there may have been an issue with a different aspect, requiring the customer to take that other aspect to a different forum. Alternatively, without all parties within jurisdiction, EWOV may not have sufficient facts before it in order to properly reach any conclusion on liability.

In such instances, customers are likely to be dissatisfied, be unable to seek proper redress and lose confidence in CER.

Provisioning for complaints from the full suite of CER products and services to be escalated to EWOV means an escalated pathway is available. It does not mean it has to be used. Consumers may still take their cases to other jurisdictions where they consider this appropriate. Providers can also request that EWOV not handle a complaint or stop handling a complaint where it is apparent that EWOV is not the appropriate forum and provide reasons to inform EWOV's decision to exercise this discretion. EWOV can also, on its own motion, assess that a complaint is not suitable for EDR. This discretion, to not handle a complaint, is built into EWOV's Charter and is an important mechanism in ensuring that cases can be resolved in the most suitable forum.

Any changes required to EWOV's Charter to accommodate the recommended breadth of products and services (such as including a joinder power to allow EWOV to join other relevant regulated providers) is possible by a majority vote of EWOV's members. As noted above, changes to EWOV's Charter to accommodate an expanded jurisdiction were last

made in 2018. We welcome ongoing consultation with DEECA to identify the appropriate pathway for ensuring EWOV's jurisdiction is fit for purpose as soon as feasibly possible.

EWOV's case studies (see appendix, **cases 8** and **16**) illustrate how customers are referred from one entity to another and the consequent need for EDR to be able to handle complaints that involve multiple parties within its jurisdiction.

Recommendation

27. EWOV **recommends** that the full suite of regulated CER providers and their products and services fall within EDR.

Conclusion

EWOV strongly supports the regulation of CER to establish a foundation of consistency, accountability and consumer protections across the rapidly evolving market.

As the uptake of CER continues to expand, overarching conduct obligations requiring licensed industry participants to act efficiently, honestly and fairly, appropriate information requirements and installation standards, underpinned by compulsory membership to a fit-for-purpose EDR, will help ensure all consumers have trust and confidence in the sector.

EWOV is uniquely positioned to expand its jurisdiction to support straightforward access to independent dispute resolution for CER consumers given our experience achieving fair outcomes for both parties through our fair and reasonable approach to case handling. We have a track record of driving time and cost-effective practices with established governance in place to ensure our independence. We also bring valuable consumer insights, drawn from extensive case data and systemic issue analysis to inform and shape industry practice and inform regulatory improvements.

We look forward to working with government, industry and consumers to implement a system that supports fair outcomes, strengthens accountability and delivers long-term benefits for Victorian energy consumers.

Appendix – EWOV case studies

The following selection of case studies serve to illustrate a range of issues consumers experience navigating CER including:

- installation, operation and configuration of CER,
- the interactions between CER and consumer's primary supply, and
- barriers to exit, and
- particularly the need for outcomes-based regulation and clear regulatory oversight and enforcement.

Installation difficulties

The installation of solar panels requires a consumer's CER provider to seek approval of solar export prior to export into the grid. Incomplete or incorrect paperwork, failure to lodge paperwork or lost paperwork can delay installation and configuration for solar export. EWOV observes these issues with small providers and solar retailers owned by large retailers.

Case 1: Delayed solar installation

Richard* contacted EWOV in August 2023 dissatisfied with his solar retailer regarding a solar panel installation issue. His solar retailer had installed solar panels in May 2023. Richard experienced poor customer service in seeking to resolve his issue, with repeated contacts via email and phone. He was often transferred between different departments, and was assured of callbacks that did not occur.

Richard's solar retailer advised him there had been a three-week delay in providing the solar documentation to his distributor and offered a \$200 credit for the delays and inconvenience. Richard's solar retailer advised him to contact his distributor or his primary electricity retailer to understand the next steps in the process.

However, when Richard called his electricity retailer, he was advised it was yet to receive any paperwork about his solar system. Richard then contacted his distributor, who advised it had received an email from his solar retailer on 4 July 2023, but there was information missing from the documents. Richard's distributor had sought the missing information from the solar retailer, however, it had not received a response.

Case 2: Missing solar feed-in tariff

Ansari* contacted EWOV about a missing solar feed-in tariff. She had purchased solar and batteries from the solar division of her energy retailer, which included a solar feed-in tariff plan. She made several attempts to contact the general division of her retailer to request switching to the solar feed-in tariff plan, which was not actioned.

When Ansari contacted the solar retail division, they advised they had submitted all the paperwork and could not assist further, and to try contacting the general division's metering team. When she contacted the general division of the retailer, they advised her they had submitted the paperwork to the distributor on 11 occasions, who had advised them the paperwork was incorrect. She contacted both the solar and the general divisions of her retailer but was repeatedly referred to the other arm of the business.

Faulty products, products damaged at installation or misconfigured

EWOV has observed cases where consumers report newly installed CER does not function. This may be due to an installation fault or a faulty product. Even where CER providers are signatories to voluntary industry codes of conduct, CER providers may be unresponsive to a consumer's attempts to rectify a problem or issue which leaves consumers without timely recourse.

Case 3: Faulty product identified at installation

Ying* contacted EWOV with a complaint about her solar installer who was both an authorised retailer and a voluntary signatory to an industry code of conduct. Her solar installer had provided an estimated installation date, which was delayed and rescheduled multiple times. In September 2023, the installer arrived to complete the installation, however when the system was first turned on, one of the inverters was identified to be faulty.

Ying made several attempts to follow up with the solar installer to have the system fixed with calls, emails and text messages, often going unanswered. When the customer ultimately called EWOV in January 2024, the installation had not been completed and the consumer was left without a functioning solar panel system.

Case 4: Limited accountability and redress for faulty product

EWOV received a complaint from Andrew*, on behalf of Greg* and his wife Ethel* at the end of 2023. Greg had borrowed money to purchase a solar PV and battery system to help reduce power bills and ensure ongoing supply in a power outage.

Both Greg and Ethel were in their late 70s and Ethel has a disability, requiring essential medical equipment and services powered by electricity. The system, costing \$15,000, was installed a year earlier, but never functioned. The unit had a fault light that has been on constantly and their power bills remained at around \$1,400 quarter. The unit did not provide power in an outage, so Greg and Ethel sometimes had to start a generator.

Andrew reported to EWOV that he believed Greg did not know what he was buying and that the company who supplied the unit organised the loan for the system, which had put Greg and Ethel in debt.

Andrew made repeated attempts to contact the solar retailer over a four-week period. The solar retailer eventually responded with a promise to have the installing contractor contact Greg and Ethel to resolve the issue, which Andrew reported did not occur.

Though the solar retailer outlines on its website that its workforce are accredited with a voluntary industry code and that it will provide support for any issues that arise, Andrew reported that no concrete action or resolution was provided by the installer. When Andrew contacted EWOV, he shared a formal complaint letter he had written to the solar retailer.

Lack of compliance with minimum installation requirements

EWOV has observed cases where providers do not meet required standards for compliant installation, potentially creating safety risks and difficulties for the consumer in seeking remedy in the future.

Case 5: CER provider does not meet minimum installation standards

Gareth* called EWOV with a complaint that his CER retailer/installer had not provided a compliance certificate for his heat pump hot water. Gareth reported he had installed his heat pump hot water system through a government incentive program and used an approved heat pump hot water retailer.

Gareth noted that in the guideline, a separate safety switch must be installed for a heat pump hot water system. Gareth reported the electrician who installed the heat pump hot water had connected it to a previously installed outdoor power socket line, rather than installing a separate safety switch.

Gareth reported that after installation, neither the electrician nor the plumber appointed by the CER retailer/installer provided a compliance certificate. The retailer also did not provide a warranty product for the installed unit.

Additional barriers and difficulties installing CER in embedded networks

EWOV has observed examples of additional complexity for consumers seeking to install CER in embedded networks within new townhouse complexes, particularly around functional metering. Though the Victorian Government has banned new embedded networks in apartment buildings, the ban does not cover townhouse complexes.

Case 6: Additional barriers to solar install CER in an embedded network

Con* called EWOV with a complaint relating to his inability to export solar from his property. The solar installation appeared to have been incomplete when the consumer purchased the property - a relatively new townhouse within a strata complex.

Con was advised by both his distributor and embedded network provider to seek the approval of the other party to reconfigure the meter and register the excess solar energy being exported to the grid. While the consumer initially raised the complaint with the distribution network, Con explained that both providers had disputed their responsibility in resolving his issue.

The embedded network operator then identified that the property had a meter with limited functionality, which prevented their system calculating any excess solar exported to the embedded network, which they could then allocate as an export to the grid.

Mis-installed or mis-configured CER may cause a higher bills or overall cost

EWOV has observed cases where a consumer complains their bill has increased after installing new CER. This can create the potential for payment difficulty where consumers have ongoing repayments for their CER, particularly as consumers typically would expect investing in CER to reduce energy bills.

Case 7: Incorrectly wired battery in a VPP drives high bill

Neha* contacted EWOV and told us she invested in a 13.5kWh battery in November 2022 after being promised significant savings on her power bill. Since the battery installation, she noticed bills had increased and believed she had experienced no benefit from the battery. She told us that although her provider advised her the battery was performing as intended, she believed she was not being billed correctly and had not been able to resolve the complaint with her provider's solar or billing team. She wanted EWOV to investigate whether she was being billed correctly for usage and solar export.

The provider advised it had conducted a high bill review, which showed all tariffs, reads and charges were correct, leading the provider to believe there were no faults with the meter or how Neha was billed. The provider subsequently sent its solar technician to undertake a site inspection, which revealed incorrect wiring was causing solar energy production to be recorded as usage from the grid and vice versa, which led to overcharging on the bills.

Case 8: High bills following solar and battery installation

Kylie* contacted EWOV concerned about high bills following the installation of solar and a battery. Kylie was an older woman, living on the disability support pension and had installed the solar and battery in the hopes of bill savings, however bills showed increased usage compared to previous years. Kylie told us her installer had confirmed the batteries were working correctly, but her retailer could not explain why the bills were higher than she expected.

Kylie's retailer confirmed the solar was exporting to the grid and impacting the bills. It consulted with the distributor who investigated the usage and confirmed the solar data was actual and valid and could not see any faults or communication issues. The retailer noted that it would typically see a reduction in usage following a battery installation and encouraged Kylie to follow up the issue with her solar and battery installer to determine whether there were any issues with installation or the battery itself, as there was nothing further the retailer could do.

Case 9: Hot water heat pump installation results in increased bill

Barry* complained to EWOV that the installation of a heat pump had caused his bill to increase.

Barry had a new heat pump hot water system installed via a government incentive program. Barry reported his electricity bill "just for the hot water portion" had gone from a few hundred dollars to approximately \$2,360 for one quarter. He considered that this was extremely high for two people living in the house, given nothing had changed or altered in the house to consume extra electricity. Barry reported he had repeatedly tried to contact the installer, on eight or nine separate occasions, to get someone to have a look at this issue.

Three appointments were made with the installer to attend but nobody had attended, nor had the installer called to advise they were running late or not attending. Barry reported frustration that he had wasted three days to organise attendance to resolve this issue.

Barry believed there was something very wrong with the hot water system and wanted to quickly remove and replace this system.

Unanticipated complexity of hot water installation and tariff implications

Understanding the technical capabilities of new appliances, configuration requirements, and how they interact with more complex tariffs can be fraught for consumers, particularly where appliances are not like for like replacements.

Case 10: Heat pump cannot be connected to existing controlled load

Ryan* contacted EWOV about a heat pump and the loss of an off-peak tariff. Ryan told us he previously had an electric hot water system on an off-peak controlled load at the property.

In 2021, he replaced this with a heat pump hot water service, which had been connected to the peak register in the smart meter. Ryan told us he had spoken with his retailer many times to change back to the off-peak controlled load, and was provided different advice, so he contacted the distributor directly who provided conflicting advice. For example:

- on one occasion, Ryan was advised that the heat pump could be connected to the off-peak controlled load register, subject to a meter reconfiguration, costing \$90 via the retailer, which he proceeded with
- on another occasion, he was advised that an electrician would need to re-wire the heat pump for the re-connection to occur, despite the manual stating the heat pump can be connected to a controlled load
- on another occasion, the distributor told him it had not received the meter reconfiguration request from the retailer, before finally advising him that it did not want to change the hot water system to an off-peak controlled load.

Ryan wanted to understand why the distributor provided mixed advice about meter reconfiguration and wanted the heat pump to be connected to the controlled load off peak tariff.

The distributor confirmed that the heat pump requires 16 hours of “turn on”, while it’s controlled load off peak tariff only offers an 8 hour “turn on” period.

The distributor advised that the initial advice provided to Ryan referred to a scheduled trial of a 16-hour “interruptible” dedicated circuit tariff, which then did not go ahead.

It would not connect to the controlled load off peak tariff because the heat pump configuration did not line up with meter requirements for this tariff. It confirmed Ryan could still use the heat pump, although not on the preferred tariff, and advised he could consult with an electrician to ensure the wiring of the heat pump to the property was appropriate and to seek advice from the retailer on the appropriate time of use tariff.

Misalignment between consumer expectations and technical capability of CER

EWOV has observed a range of issues arising from the misalignment between a consumer's understanding and expectations of their new CER and the reality of system functionality, which may arise from misunderstanding or misrepresentation of the functionality of CER.

Case 11: Understanding technical limitations of CER

Graeme* purchased a solar and battery system (also part of a VPP) with the understanding that his system had the capacity to entirely supply his property year-round, without drawing additional power from the grid. Graeme explained his retailer had confirmed this was the case.

Though his account had been in credit since early 2022, the basis for his complaint was that his system occasionally imported a small amount of power from the grid, despite assurances from his provider that his system was effectively self-sufficient.

The retailer explained that there were technical limitations that caused occasional imports which meant that a slight lag in the consumer's hybrid inverter constantly chased the monitored loads. This technical limitation created residual consumption of approximately 7-watts during non-solar periods. Changing the retailer would not change the minimal background usage due to the technical limitations of this kind of installation.

Unclear CER contract terms and conditions create consumer confusion or harm

The contracting arrangements for VPPs can add significant complexity for consumers. EWOV has observed examples of consumers reporting dissatisfaction and distrust in providers after signing up to a VPP. Consumers consider these access arrangements and/or payment conditions to be unfair or unreasonable.

Case 12: Challenges navigating unclear VPP arrangements

Zhang* bought a solar PV and battery bundle for \$20,600 after government rebates, with finance provided through the retailer. Zhang also signed up to the retailer's VPP as part of the bundle. The consumer reported their VPP provider was charging the battery during the day at 23 c/kWh and received a feed-in-tariff of 5.2 c/kWh, including when the battery was remotely drawn down through the VPP during periods of demand. The VPP provider paid Zhang a monthly fee of \$10 as part of the VPP program.

Zhang complained that the retailer did not state in their VPP contract that the retailer would charge the battery from the grid (i.e. at the consumer's cost) even when the battery was not required, such as during the middle of the day when solar panels were generating energy.

The retailer advised they had explained to Zhang that no more than 500 kWh would be discharged to the grid, and that he was provided \$60 additional VPP credits when he signed up for the VPP in May 2024. Zhang later closed his account and switched providers.

In case 13, the provider was unable to provide billing data that accurately captured when the VPP had accessed the consumer's battery and exported to the grid.

Case 13: Failure to provide clear information around Virtual Power Plant use of battery

Gary* contacted EWOV with a complaint about his retailer and a related VPP agreement. The VPP agreement included selling energy from Gary's battery into the grid when the spot market price exceeded a standard feed-in tariff rate, when his battery was full and when the VPP software "deems it appropriate according to [your] household's energy usage patterns". When the VPP discharged from Gary's battery, he was paid a trading credit in lieu of this feed in tariff, at the spot market price.

Gary raised several issues:

- the VPP provider drew his battery down to 15% by 8pm each night, requiring him to draw from the grid directly at a higher price, and
- Gary advised he had been paid very little in trading credits, well below the cost to recharge his battery after these discharge events.

While Gary was provided access to the VPP software forecasting discharge events, the provider did not give him information about how and when they had utilised his battery to export into the grid, and without this information, Gary was unable to determine whether he had received the correct benefit. Third, Gary had repeatedly tried to call the VPP to discuss the issue and was unable to get through.

The retailer agreed with Gary's view that an error had been made, but the retailer was unable to document exactly when the VPP software had accessed Gary's battery to discharge to the grid or provide a true reconciliation of how much energy had been discharged to the grid at what value. The retailer claimed its software would "learn" about consumer's usage and manage the charge in his battery accordingly, to avoid excessively discharging the battery. Despite their inability to produce the required information, the provider was still adamant the consumer would be better off "in the long term" under the contract.

Some cases indicate that consumers do not understand the terms of the contract – such as case 14 where prices were fixed for only the first 12 months and incorporated annual limits on usage. Where these arrangements change, or if a consumer's usage changes over time, this can make it difficult for a consumer to understand the value proposition. This case also illustrates the additional complexity when providers sell bundled CER and VPP tariffs through white label licensing arrangements.

Case 14: Bundled CER provided through a white-label licensing arrangement with changing rates

Shahaan* contacted EWOV with a complaint about the prices on a solar electricity account and an imminent disconnection. Shahaan told EWOV he had purchased a solar and battery bundle and set up a flat rate electricity account with the provider, believing the rates on the account would provide return on his investment on the solar and battery bundle. As the household remained within annual allowance usage limits (10,000kWh) and received feed-in credits, the bundled arrangement had effectively eliminated out-of-pocket expenses.

Shahaan reported that the retailer had transferred his account to a different provider, which charged him at a higher rate and provided a lower feed-in tariff, resulting in unexpected high electricity bills and payment difficulty. Shahaan wanted the new provider to either honour the original rates or compensate him for the reduced return on the solar and battery investment, and ensure the supply would not be disconnected.

It turned out that Shahaan's electricity account had not been transferred to a different provider, but instead had been set up by the solar and battery bundle provider who had a partnership with another provider who issued the bills. This likely led to Shahaan's confusion about the account transfer. The contract stated that prices were fixed for the first 12 months, after which prices might vary, and the provider would issue written notice before the next bill. The annual statements indicated that Shahaan's usage was within the annual limit in the first year, but had exceeded the limit in subsequent years so excess usage charges had been applied. Both of these factors likely contributed to the higher than expected bills.

Risks for ongoing maintenance and repair of installed CER

EWOV has observed cases where legacy installation and configuration issues can result in CER failing to operate as intended. Where consumers seek to repair their CER, they may encounter difficulties securing repairs for a system that is not compliant with current standards. Identifying a fault and whether a solar PV system operates as expected can be particularly difficult for consumers with limited English or difficulties understanding their own bill.

Case 15: Failure to process paperwork and configure meter for solar export

In 2022, Irene* complained to EWOV about missing solar credits. Irene, an elderly migrant in their 80's, was represented by her daughter Sophia due to her limited English. The core issue was the retailer had failed to process the solar approval paperwork submitted in 2016, and consequently, Irene's meter was not configured to record solar exports. The retailer had suggested to Irene that they were only liable for the first 365 days of missed solar export due to the expiry of paperwork (only valid for 12 months). An electrician attended the property to inspect the system, advised the consumer to install a new system, quoted at almost \$12,000, which was compliant with current laws and regulations, due to the age of the system and non-compliance.

Billing issues during operation of VPP and barriers to exit arising from complex interaction of different providers

EWOV has observed cases that highlight operational issues with a VPP that occur as a result of the interaction between different parts of the supply chain. This can also create additional friction or barriers for consumers seeking to exit a VPP.

Case 16: Battery issues, billing rate change and difficulty exiting VPP

Dinesh* contacted EWOV about issues with an energy retailer VPP plan and a battery installed by a third-party installer. He reported he had noticed a key function on the battery app disappeared, which prompted him to review the bills issued by his energy retailer. Dinesh noted that he was being billed at significantly different rates compared to the rates he had agreed to on sign up, resulting in higher charges than what he had expected.

Dinesh had attempted to contact both the retailer and the battery installer about this issue, who gave him conflicting information. The retailer claimed that they had not asked the battery manufacturer to block the battery from charging from the grid or storm-watch back-up functionality. The battery installer advised that the battery manufacturer had informed them the retailer's VPP plan was causing the issues, effectively blocking charging functionality.

Dinesh also encountered difficulty when trying to remove the battery from his energy retailer's VPP plan, as his provider advised he could only opt-out from the VPP once he had changed retailers.

Once Dinesh had initiated transfer to another provider, his retailer confirmed with their VPP department, who in turn confirmed with the battery manufacturer that Dinesh had opted out of the VPP. At this point the retailer was able to provide a finalised invoice and offered a customer service gesture for the inconvenience.