



9 October 2015

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Lodged online at: www.aemc.gov.au – project number EMO0030

Dear Australian Energy Market Commission (AEMC)

Re: AEMC 2015, Strategic Priorities for Energy Market Development, Discussion Paper

Thank you for the opportunity to comment on the AEMC's *Strategic Priorities for Energy Market Development, Discussion Paper* (the Paper).

As an industry-based external dispute resolution scheme, the Energy and Water Ombudsman (Victoria) (EWOV) provides alternative dispute resolution services to Victorian energy and water customers by receiving, investigating and facilitating the resolution of complaints. In making this submission, EWOV's comments are based on our extensive experience handling Victorian customers' energy complaints, and as such we have only focused on the consumer priorities aspects of the Paper.

The AEMC's consumer priorities proposed approaches

EWOV broadly agrees with the consumer-specific priorities highlighted by the AEMC in the Paper, including reviewing hardship and concessions policies, ensuring that vulnerable customers are not 'left behind', and making sure customers have the ability to effectively participate in an evolving energy market where new products, tariffs, services and technologies have the potential to rapidly change the way consumers are sold and supplied electricity. Additionally, we believe that government and regulators need to consider energy-specific consumer protections in light of the changing energy market and the importance of customers having access to free, fair and independent dispute resolution regardless of how they are supplied or sold energy.

EWOV's other relevant submissions

The following comments draw on recent EWOV submissions to consultations that discuss the potential impacts and issues for customers in an evolving energy market.





We stated in our submission to the AEMC's *Demand Management Incentive Scheme – Consultation Paper*¹ that we believe that electricity market innovations which allow customers to actively manage the use of their appliances, and subsequently their bills, would have positive impacts for some customers (and industry) in managing affordability issues.

However, we also believe that innovations, such as demand management products, that directly impact a customer's access to an essential service, like electricity, will deliver different benefits and costs to customers that will vary with a customer's individual circumstances. As such, it is important that careful consideration is given to the potential impact of the additional complexity of these products on customers' understanding of, and active participation in the market.

EWOV's comments on page one of our submission to the Council of Australian Governments (COAG) Energy Market Reform Working Group (EMRWG)'s *New Products and Services in the Electricity Market – consultation of regulatory implications*² highlighted that changes in policies, systems, regulatory frameworks and technology have the potential to drive complaints. We noted that EWOV case numbers have historically been significantly impacted by these changes. Given our knowledge and experience of complaints arising from industry changes, EWOV expects complaints to electricity retailers, distributors and EWOV to increase as new products and services in the areas of electricity supply, demand management and energy information services are implemented in the market. Therefore, we believe it is important that a holistic and comprehensive strategy is implemented to help underpin the transformation currently underway in the energy industry.

Increasing energy costs and associated affordability issues

We note on page six of the Paper that the AEMC has identified that energy affordability is still a key issue for consumers, industry and government. EWOV's affordability research paper³, *A Closer Look at Affordability – an Ombudsman's Perspective on Energy and Water Hardship in Victoria*, released in March 2015, discusses EWOV's experience in managing affordability issues, largely for energy customers. Based on our case handling experience and research, we believe energy affordability needs to be front and centre when considering upcoming consumer priorities.

¹ Available at: https://www.ewov.com.au/data/assets/pdf_file/0007/14497/EWOV-comments-on-AEMC-Demand-Management-Incentive-Scheme.pdf

² Available at: https://www.ewov.com.au/data/assets/pdf_file/0006/14496/EWOV-comments-on-COAG-EMRWG-New-Products-and-Services-in-the-Electricity-Market-consultation-of-regulatory-implications.pdf

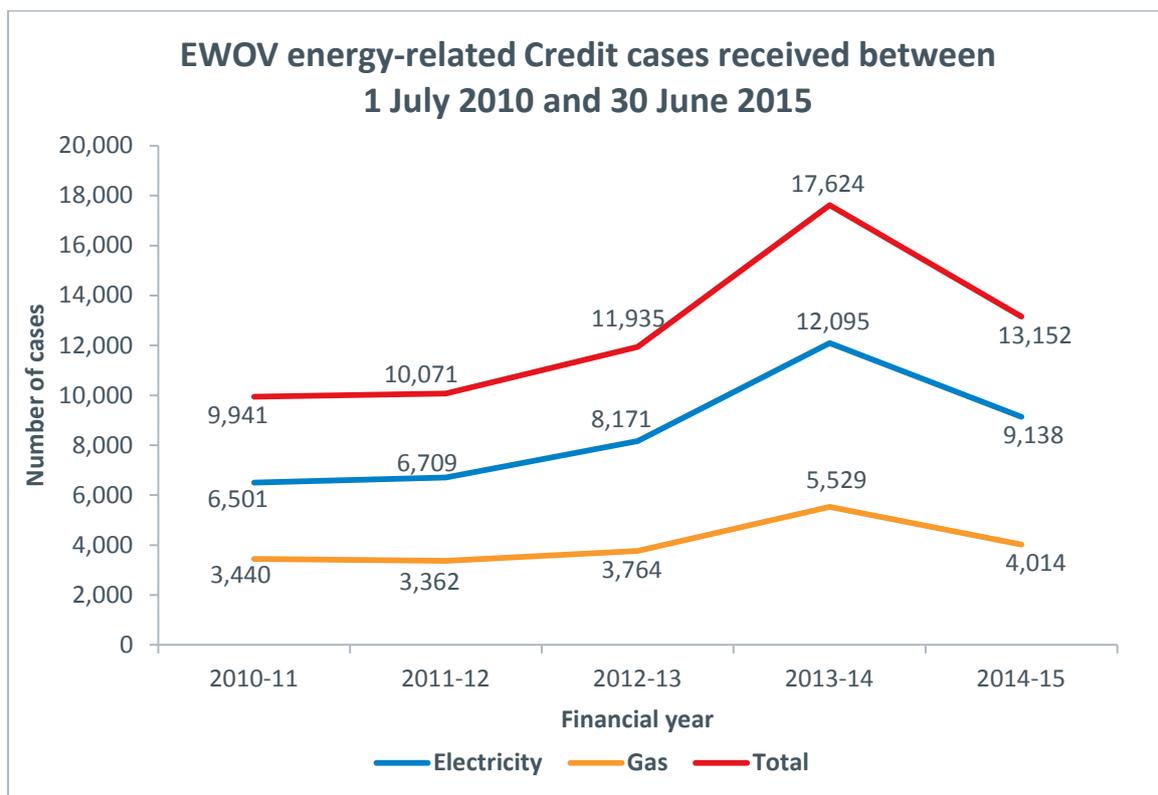
³ *A Closer Look at Affordability – an Ombudsman's Perspective on Energy and Water Hardship in Victoria*, available at: <https://www.ewov.com.au/reports/a-closer-look-at-affordability>





EWOV credit cases over time

To help provide context to our views on the issues raised in the paper, the graph below shows the number of Credit-related cases EWOV received between 1 July 2010 and 30 June 2015 – an increase of 32% over the five-year period. However, we note that EWOV Credit cases increased sharply – to their highest level ever – in 2013-14 before a significant decrease, which coincided with a significant drop in EWOV’s overall case receipt in 2014-15.



Concessions and government utility grants

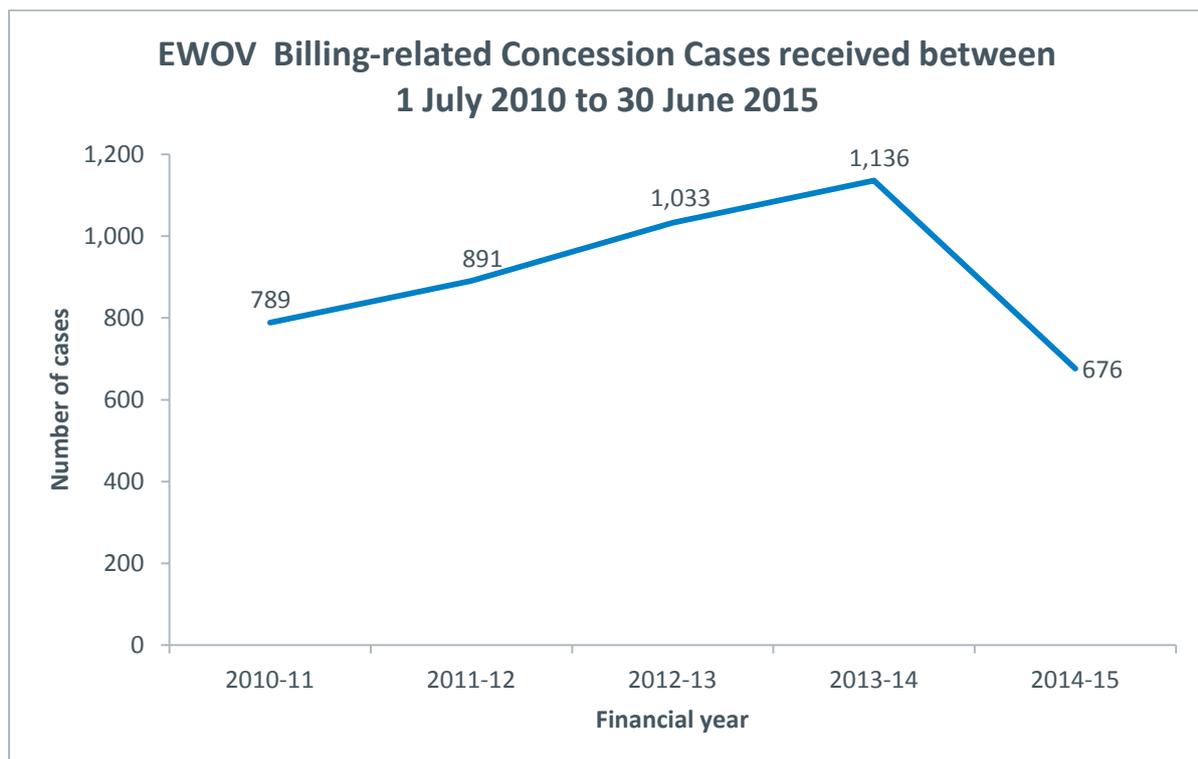
We noted on page 6 of the Paper the discussion about concession and hardship policies and provide the following Victorian perspective.

The graph on the following page shows the number of EWOV Billing-related concession cases received by financial year between 1 July 2010 and 30 June 2015. Customer complaints about concessions increased steadily between 2010 and 2013, and peaked in 2013-14. Encouragingly, in 2014-15, EWOV saw a 40% decrease in concession cases. However, EWOV has experienced a significant overall reduction in cases in 2014-15, so this needs to be taken into account when considering the data. Additionally, our case handling experience tells us that customers often contact EWOV because they have been unable to resolve what are generally straightforward





concession complaints. Often, these complaints are about concessions not being applied to bills due to administrative errors (including within hardship programs) or retailers not applying them correctly. Based on this, EWOV is concerned that customers – particularly vulnerable groups – may be missing out on eligible concessions.



In Victoria, the Department of Health and Human Services (DHHS) administers energy concessions and the Utility Relief Grant Scheme (URGS)⁴. A range of concessions are available for eligible concession cardholders, including the 17.5% Annual Electricity Concession, Winter Energy Concession, the Medical Cooling Concession (MCC), and other niche concessions for different types of energy customers⁵. EWOV’s experience in handling concession cases shows us that sometimes customers are unaware that they are entitled to receive certain concessions based on their individual circumstances (such as having a medical condition that makes customers eligible for the MCC). This can lead to, or compound, affordability problems later on as debts accrue.

⁴ DHHS website – URGS, available at: <http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/hardship/utility-relief-and-non-mains-utility-grant-scheme>

⁵ DHHS website – energy concessions, available at: <http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/energy>





In Victoria, the DHHS allows for the backdating of concessions to energy bills for up to a 12-month period⁶. EWOV's experience is that this flexible approach to the retrospective application of concessions, for those who should have received them, assists in reducing energy account balances and helps lessen energy affordability issues. Therefore, EWOV believes that there is merit in considering the Victorian approach to concessions in any national review. We also note that the Australian Council of Social Services (ACOSS)'s report – *Poverty in Australia, 3rd Edition* – highlights the importance of energy concessions and the current inconsistencies between state jurisdictions in both the scope and quantum of energy concessions⁷.

EWOV believes that it is important for government, retailers and community organisations to effectively promote concessions and grants to help increase the uptake of concessions by eligible customers. We believe that this is an important part of managing increasing costs and affordability issues.

TARIFFS AND SMART METER-RELATED TECHNOLOGIES

EWOV's following comments are based on our extensive experience handling Smart Meter-related cases. As we noted in our submission to the AEMC about expanding competition in metering and related services⁸, we had handled nearly 21,000 Smart Meter-related cases since their introduction in Victoria in 2009.

Flexible pricing

We noted on pages 9-11 of the Paper that the AEMC has identified the implementation of flexible pricing as a way of helping customers respond to, and manage, their usage to reduce bills. EWOV's comments reflect on our experience with its implementation in Victoria in September 2013, and our handling of flexible pricing complaints. EWOV encourages the AEMC to give consideration to scenarios where consumers switch to flexible pricing and later find that it disadvantages them. We believe that it is also important to ensure that customers can revert to a flat tariff easily and without financial penalty, such as the policy implemented in Victoria until 31 March 2015⁹.

⁶ DHHS *The Link – Volume 16*, available at:

http://www.dhs.vic.gov.au/_data/assets/pdf_file/0020/770150/The-link-newsletter-0613.pdf

⁷ ACOSS – *Poverty in Australia, 3rd edition*, available at:

http://www.acoss.org.au/images/uploads/Concessions_paper_2014_FINAL.pdf

⁸ Available at: https://www.ewov.com.au/_data/assets/pdf_file/0004/14881/EWOV-comments-AEMC-draft-rule-determination-expanding-competition-in-metering-and-related-services.pdf

⁹ Victorian Government SwitchOn website, available at: <http://switchon.vic.gov.au/bills-pricing-and-meters/flexible-pricing>





A recent Victorian Auditor-General's report – *Realising the Benefits of Smart Meters* – found that since the introduction of flexible pricing, customer uptake was only 0.27%¹⁰. Although not always to the benefit of every customer, EWOV believes it is important that a national rollout of flexible pricing is supported by a comprehensive and strategic customer engagement and education plan so that customers are able to determine the potential benefits for themselves.

In-home displays and customer portals

Between 1 July 2013 and 30 June 2015, EWOV handled just over 3,000 Smart Meter (including bi-directional solar meter) high bill cases. Our experience in this area tells us that there is a need for consumers to have access to timely and accurate information about their energy consumption (and solar generation), and to understand it better. Therefore, EWOV would like industry and government to encourage and incentivise the wider use of in-home display units, and electricity consumption portals with real-time data. These technologies, coupled with the consideration of subsidies and programs for low-income and vulnerable groups, may increase customer access and uptake of these potentially bill-reducing technologies. We note that in Victoria the Victorian Energy Efficiency Target (VEET) scheme provides a range of rebates for eligible customers on items including in-home energy displays¹¹. This technology can help consumers better understand their energy consumption patterns – potentially reducing their bills – and maximise the potential benefits of new tariff structures and industry innovations.

Network tariff reform

We noted on page 8 of the Paper, and also the AEMC's Final Determination on *Distribution Network Pricing Arrangements*, that electricity distribution networks will introduce maximum demand tariffs for residential and small business customers from 1 January 2017¹². These new tariffs could be complex for some customers to understand and respond to if there is not an effective and multi-faceted industry and government-backed communications and education campaign for the broad range of customers these new tariffs will affect.

¹⁰ VAGO – *Realising the Benefits of Smart Meters* – Page xiii, available at:

<http://www.audit.vic.gov.au/publications/20150916-Smart-Meters/20150916-Smart-Meters.pdf>

¹¹ Essential Services Commission VEET website, available at:

<https://www.veet.vic.gov.au/Public/Public.aspx?id=Home>

¹² Pending approval of five-year pricing proposals by the Australian Energy Regulator. A review of the Victorian electricity distributors proposals is currently underway. AER website, available at:

<https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements>





CUSTOMER PARTICIPATION IN THE ENERGY MARKET

We noted on pages 8-11 of the Paper that the AEMC has identified the ongoing need for consumers to feel comfortable shopping around for energy deals and to have confidence in the transfer process. Between 1 July 2010 and 30 June 2015, EWOV received just over 43,500 Transfer cases and just over 8,000 Marketing cases. Based on this case handling experience, we offer the following comments.

Customer education and pricing comparators

EWOV believes that consumer education and independent price comparison services in a competitive retail energy market are very important, particularly with increasingly complex pricing structures, lots of consumer choice and a multitude of contract offers. There is also an added level complexity due to the increasing number of small-scale solar PV panel installations in Australia, estimated at just over 1.45 million¹³ or about 16.7% of all Australian households.

EWOV has extensive experience handling solar-related complaints, as detailed in our *Quarterly Solar and Smart Meter Report*¹⁴. EWOV understands that, currently, solar customers cannot access an accurate and independent electricity pricing comparator that analyses their Smart Meter interval data and takes into account their solar generation. We note on page 11 of the Paper, the AEMC states that consumers need to be able to 'make informed decisions about electricity services they value'. We believe that a robust and independent government-pricing comparator, which can also analyse solar generation, will help achieve this strategic priority.

As noted on page 29 of the Paper, Australia is on the brink of an advent of more affordable, mass-market solar and battery storage technology for households and small businesses. Therefore, there is an increasing need for customers to have the right tools to accurately understand and effectively manage their usage and generation profiles, and compare retailers' offers based on their individual circumstances.

Further, a move towards contracts with more complex pricing structures creates a greater need for retailers to have clear and simple offer summaries for potential new customers.

¹³ Clean Energy Regulator website, available at: <http://www.cleanenergyregulator.gov.au/RET/Forms-and-resources/Postcode-data-for-small-scale-installations>

¹⁴ Reports available at: <https://www.ewov.com.au/reports/solar-and-smart-meter-report-jul-2015/archive-solar-and-smart-meter-update>





Customer switching

As noted earlier, we agree with the AEMC about the importance of customers having a timely and accurate transfer process. EWOV made an earlier submission to the AEMC's consultation on customer switching, and we offer these additional comments. Customers commonly complain to EWOV about:

- delayed transfers
- changes in contract terms and conditions (including price increases and alterations mid-contract)
- erroneous transfers
- transfers without consent
- contract cooling-off rights
- site ownership issues
- being billed by the previous retailer and new retailer for the same usage period
- retailer transfer objections due to metering or debt issues.

Based on this experience, EWOV supports, in principle, mechanisms, processes and procedures which streamline transfers and assist customers and industry with switching.

We trust that these comments are useful. Should you require further information or have any queries, please contact Christopher Stuart-Walker, Senior Research and Communications Officer on (03) 8672 4252.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cynthia Gebert'.

Cynthia Gebert
Energy and Water Ombudsman (Victoria)

