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The release of the Government's Carbon Pollution Reduction Scheme (**CPRS**) [Green Paper](#) has dominated headlines and opinion pages as the debate continues regarding the breadth and scope of the government's proposed emissions trading scheme.

Of particular concern for consumers has been the extensive lobbying by industry, including those involved in energy supply as well as trade exposed intensive emitters. Industry seeks 'compensation' for the costs imposed on it by the CPRS and, if the UK experience is anything to go on, this will mean a significant increase in the cost of electricity services without any reduction in carbon emissions.

What is not in question is that prices of electricity and other goods and services will increase as a result of the CPRS. While Consumer Action supports a CPRS, it is essential that it be designed to achieve its objectives at least cost and impact to the economy, including consumers. We have called for additional measures to protect consumers, who will experience increased bills and increased risks of late payment fees and disconnection. Such measures include a strengthening of the consumer protection framework for energy and appropriate assistance to low-income households to ensure that they are not disadvantaged by the additional costs.

Further information about the proposed emissions trading scheme is included in this edition of *On the Wire*.

We welcome feedback on the information provided in *On the Wire*. Further, we encourage you to forward the newsletter throughout your networks. Production of *On the Wire* is funded by the [Consumers Advocacy Panel](#). To subscribe to *On the Wire*, please email info@consumeraction.org.au with "On the Wire" in the subject line. The next edition of *On the Wire* is scheduled for release in December 2008.

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1. Regulatory developments

1.1 Ministerial Council on Energy update

Australian, State and Territory Government Energy Ministers met on 31 July 2008 in Melbourne as the [Ministerial Council on Energy \(MCE\)](#).

This 'emergency' meeting of the MCE, called to consider the impact of the emissions trading scheme on the energy sector was addressed by the Energy Supply Association of Australia, the Energy Retailers' Association of Australia and the National Generators Forum. Not one constituent from the demand side of the market – consumers of energy services – were invited to participate.

Consumer groups are concerned that the outcome of the meeting, including "agreement to continue cooperative work on energy security and energy market reform, ... including investor confidence, retail price regulation and transitional assistance measures to coal-fired electricity generators" fails to consider consumer interests. It is hoped that the MCE will more actively consider the interests of consumers as any changes to energy market policy settings are adopted.

A copy of the communique from the MCE's 16th meeting can be found [here](#).

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1.2 National Energy Customer Framework

In June 2008 the MCE Standing Committee of Officials released a policy paper on [A National Framework for Regulating Electricity and Gas \(Energy\) Distribution and Retail Services to Customers](#) including a [Table of Recommendations](#) (the Framework).

The Framework attempts to harmonise the varying non-price consumer protections and other regulations applying to energy retailers and distributors in the MCE jurisdictions. This is a large undertaking, and follows significant consultation undertaken by consultants last year. Protections covered by this package include:

- retailers' and distributors' obligations to supply energy;
- the regulation of contractual terms and conditions;
- consumer protections relating to billing, payment and collection;
- obligations of energy retailers to assist consumers experiencing financial difficulties;
- consumer protections relating to marketing; and
- compliance and enforcement of regulatory obligations by the regulator.

While consumer advocates are generally pleased with the quality of consumer protections proposed by the Framework, there continues to be concern about a lack of specificity in the

Framework that could result in a reduction in protection for consumers. For example, in relation to the hardship proposals, there are concerns that the types of assistance that are available to customers participating in hardship programs, including the nature of instalment arrangements to be offered, are not proposed to apply more generally for all customers who might need them. Consumer Action believes that the types of assistance outlined should be a universal service obligation for all consumers experiencing payment difficulties, and not only those consumers that a retailer has identified to be managed through their hardship policy.

Consumer Action also provided significant comment in its [submission](#) on issues relating to:

- the authorisation of retailers and distributors to supply energy;
- compliance and enforcement arrangements, including industry performance reporting;
- liability where consumers experience property damage due to an unauthorised voltage variation; and
- the objective of the National Electricity and Gas Laws.

Other submissions from the community sector include:

- [Alternative Technology Association](#);
- [Consumer Utilities Advocacy Centre](#);
- [Kildonan UnitingCare Epping Victoria](#);
- [Queensland Council of Social Service](#);
- [Victorian Council of Social Service](#);
- [Financial Counsellors' Association of Queensland](#); and
- [Tasmanian Council of Social Service](#).

Following a review of submissions, the MCE Standing Committee of Officials will release draft legislation for comment. This is proposed to occur later this year.

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1.3 Carbon Pollution Reduction Scheme (CPRS) – Australia's Emissions Trading Scheme

Carbon Pollution Reduction Scheme Green Paper

On 16 July 2008, the Australian Government released the [Carbon Pollution Reduction Scheme Green Paper](#).

The Green Paper provided an overview of why Australia needs to act and adapt to mitigate the effects of climate change, introducing the proposal of a cap and trade emissions trading scheme, (re-branded as the Carbon Pollution Reduction Scheme). Details of the design of the scheme were discussed including what sectors / activities are to be included in the scheme (coverage), details of reporting and compliance, international linkage, compensation and scheme governance. Specific information on emissions reductions targets and trajectories are to be released towards the end of this year.

A brief summary of proposals to soften the impact of costs associated with the CPRS outlined in the Green Paper include:

- A reduction in petrol excise to reduce the increase in petrol costs;
- Assistance to households;
- Free permits for Emissions Intensive Trade Exposed Industries; and

- Direct assistance to the coal-fired electricity generators through the Electricity Sector Adjustment Scheme.

Submissions closed on 10 September 2008. Key upcoming dates for the development of the emissions trading scheme include:

- December 2008 – Public release of exposure draft of the legislative package
- End of 2008 – Firm indication by Government of the planned medium-term trajectory (a pathway for national emissions reductions by 2020)
- March 2009 – Bill introduced into Parliament
- Mid-2009 – Aim for the passage of the bill by Parliament
- 3rd quarter 2009 – Act enters into force and scheme regulator is established
- 2010 – the emissions trading scheme commences.

The Garnaut Climate Change Review

The release of the government's Green Paper closely followed the release of Professor Garnaut's [Draft Report](#) on 4 July 2008. The Draft Report detailed his findings in relation to the impacts, challenges and opportunities of climate change for Australia, specifically providing an evaluation of the costs and benefits of climate change mitigation, the application of the science of climate change to Australia, the international context of Australian mitigation, and Australian mitigation policy. Garnaut's report supported compensation to Emissions Intensive Trade Exposed Industries, however did not support compensation to coal-fired generators. Importantly, Garnaut acknowledged the need for household assistance, specifically as the costs of an emissions trading scheme will 'fall heavily on low-income households'. Garnaut proposes that approximately half the proceeds from the sale of permits could be allocated to households through programs including tax, social security payments and energy efficiency.

Professor Garnaut delivered the overall findings of his report in person through a national roadshow to thousands of Australians.

Professor Garnaut's [Supplementary Draft Report Targets and Trajectories](#) was released on 5 September 2008. This report summarises recommended emissions reduction trajectories (a pathway for national emissions) and targets (parts per million [ppm] carbon dioxide equivalent emissions in the atmosphere, e.g.450ppm) for Australia, within an international context. The Report combines economic modelling undertaken jointly with the Australian Treasury and recommends targets of 550ppm by 2050 and trajectories of 10% emissions reduction by 2020 and 80% emissions reduction by 2050, based upon 2000 levels and resulting in a cost of 1.1% of GDP by 2020. At 550ppm Australia will have lost the Great Barrier Reef and a large range of species and be committed to temperature rises of 2.5 – 3 degrees by the end of the century (targets of 450ppm would reduce the impact on Australia's environment with a cost of 1.6% of GDP).

The Supplementary Draft Report has priced permits at \$20 in 2010, rising each year by 4 per cent plus the percentage increase of the consumer price index until 2013 (post-Kyoto Protocol).

The Final Report is due by 30 September 2008.

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1.4 Australian Energy Market Commission (AEMC) update

Review of Energy Market Frameworks in light of Climate Change Policies

On 25 August 2008 the AEMC commenced its [Review of Energy Market Frameworks in light of Climate Change Policies](#) (the Review) in accordance with [Terms of Reference](#) as provided by the MCE.

The AEMC Review will include consideration of electricity and gas markets in all states and territories, with the outcomes of the Review to include advice on any necessary changes needed to the way the energy markets function and how the changes should be implemented.

The AEMC has established an advisory committee in line with the Terms of Reference and the first meeting of the advisory committee was held on 8 September 2008.

The ongoing process will be as follows:

- Release of scoping paper – 30th September
- 1st interim report – 31st December
- 2nd interim report – 30th June, 2009
- Final report to the MCE - 30th September 2009

More information on the Review can be found [here](#).

South Australia Review of Effective competition

The AEMC published the [First Draft Report](#) of its Review of the Effectiveness of Competition in the Electricity and Gas Retail Markets in South Australia (South Australian Review) on 4 July 2008. The First Draft Report contains the AEMC's preliminary finding that competition in both electricity and natural gas retailing in South Australia is effective.

A public forum was held in Adelaide on 17 July 2008 where the AEMC presented its preliminary finding and submissions in response to the finding closed 13 August 2008.

The [First Final Report](#) was released on 19 September 2008. The First Final Report confirmed the finding that competition in both electricity and gas retailing is effective. Given this finding, the AEMC will now consider ways to phase out the current retail price regulation arrangements in the second stage of the South Australian Review. The AEMC's draft advice will be the subject of the Second Draft Report.

Additional information and a consumer perspective can be found in section **2.4**.

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1.5 Australian Energy Regulator (AER) update

The AER is currently undertaking its first 5 yearly [review](#) of the Weighted Average Cost of Capital (WACC) parameters for electricity distribution and transmission businesses. In general terms, WACC represents the return a network business can be expected to get from its investments. The WACC is calculated through an economic equation, which is made up of a

number of parameters determined from examining prevalent market conditions. WACC is one component of the overall revenue that regulated businesses can recover. The return of these businesses, as monopoly businesses, is determined by the AER through regular price resets.

The AER was required to undertake such a review after changes to the National Electricity and Gas Rules implemented last year.

Considering network costs make up upwards of 60% of a household's energy bill, the level at which WACC is set can have a significant issue on the final amount of the bill. For this reason, consumer groups are concerned that WACC is set at a level that delivers prices that are efficient and do not allow for over-recovery.

There is some concern that determinations about WACC in the past has allowed for over-recovery of costs by the businesses. This can be evidenced from the fact that network businesses are already profiting considerably, more so than those operating in a competitive market.

Majory Energy Users, with input from a number of community organisations representing residential consumers, has prepared a submission to the AER. The MEU argues that the AER needs to review the current WACC parameters to ensure a holistic assessment of the conservative costs presented by business, for when individual parameters are assessed and then combined it is resulting in high total premiums.

For more information, visit www.aer.gov.au.

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1.6 Australian Energy Market operator (AEMO) update

AEMO Board structure

The Australian Energy Market Operator (AEMO) Board was announced by the Ministerial Council on Energy (MCE) on 31 July 2008 comprising nine Non-Executive Directors and a Chief Executive Officer, including:

Chairman:

Dr Thomas Parry

Board members:

Mr Ian Fraser

Ms Patricia McKenzie

Mr Les Hosking

Ms Karen Moses

Professor Michael Lavarch

Dr Michael Sargent

Mr Greg Martin

Ms Kathryn Spargo

Chief Executive Officer

Mr Matt Zema (current CEO of the Victorian Energy Networks Corporation (VENCORP)).

AEMO will be established as a not for profit, limited liability company under Corporations Law, ownership comprises 60% by government and 40% industry, however a review of the ownership structure will be undertaken three years after AEMO commences.

AEMO's official commencement date is 1 July 2009, until then the NEMMCO Board will continue to have responsibility for the functions performed by NEMMCO.

AEMO Legislative Framework

In August 2008, the MCE released a consultation paper on the statement of proposed for the AEMO legislative framework, including suggestions and proposals for elements of the regulatory framework within which AEMO will operate, including, for example:

- An accountability framework
- Cost recovery
- Information gathering powers
- AEMO Immunity and indemnity

Consultation closed on the 19 September. For more information [click here](#).

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2. Consumer advocacy and other information

2.1 Carbon reduction implications for social payments - Gavin Dufty, St Vincent de Paul Society

With the release of the Government's Carbon Pollution Reduction Scheme (CPRS) Australia has taken the first tentative steps towards a low carbon future. Of particular interest to the St Vincent de Paul Society is the design and extent of the compensation that will be offered to low income and other disadvantaged groups.

On this matter the CPRS green paper raises more challenges and issues than it resolves, with the compensation measures proposed possibly requiring a major redesign of the current social security and tax systems.

Approximately 35% of carbon emissions are associated with the production of electricity, and with the very different energy generation mixes between the states there are significant differences in the various states' carbon footprints and hence cost impacts of this scheme. For example the Australian Greenhouse Office estimates that each MW that is produced in Victoria emits about 1.3 tonnes of CO₂ (or 1.3 kg of CO₂ per kWh) while power produced in NSW emits about 1 Kg of CO₂ per kWh. As such, a scheme that captures the carbon costs associated with the production of electricity will have a disproportional cost impact on consumers of electricity in Victoria compared to, in this case, NSW.

These are significant implications for both the Victorian economy and its residents. It can effectively place a 30% pollution premium on residents and business in Victoria when compared to those in NSW and would naturally result in Victorians experiencing higher financial impacts, and as such, the community would expect the design of the compensation system to recognise this and provide the appropriate adjustments.

The current social security system and the design of the Family Tax Benefit, both identified as key planks in the CPRS green paper, are currently constructed to deliver the same payment level across Australian states and territories based on household income and assets. The current system is not designed to compensate for cost pressure differentials that may occur

between states. This role has been left to the state governments who make various state funded concession payments based on a number of criteria. This poses a number of design challenges for the Federal Government.

Firstly, the Government could use the allocation of the suggested free permits to generators to standardise the emission intensity across all states. This could occur though permits being offered to brown coal generators in Victoria, effectively adjusting the cost impacts and placing them on parity with the black coal generators in NSW. This would adjust the costs and hence the various impacts across the states and make the proposed compensation more workable. It will however raise significant concerns from a number of quarters as the heaviest polluters get free permits.

Secondly, the Federal Government could adjust pensions and compensation payments to reflect the average Australian cost increase but this would effectively result in more generous compensation payments being made to disadvantaged residents in states such as Tasmania, who only emit approximately 130 kg of CO₂ per MW (130 grams per kWh), while states like Victorian with significantly higher emissions will have a short fall in the compensation payments.

This would place the Victorian Government in the unenviable situation whereby it is left to fund this shortfall though enhancements in the current concessions system for low income households. This has the potential to impact on Victoria's ability to provide other services, such as hospitals and schools, as it reallocates funds to compensate for the impacts of the CPRS.

Finally, the Federal Government could create a system where rebates and payments are assessed and delivered according to the various financial impacts of the CPRS in each state. As the current system delivers payments and rebates that are calculated on a national fixed level - that is all recipients in similar financial situations get the same payment - this approach would mean a major overhaul of the family tax benefit and social security payment system.

The St Vincent de Paul Society believe that while the current debate has focused on the design of CPRS the real challenge is in developing an equitable and flexible compensation system that adequately compensates all low income and disadvantaged households appropriately.

The compensation system should not place pressure on the states to cut social services or assistance schemes to make up perceived or actual shortfalls in compensation from the Federal government. Furthermore, the compensation arrangements should not introduce unnecessary changes to the current social support system that results in complex payments that vary significantly from state to state.

We strongly encourage the government to develop strategies that pass through the costs of electricity related carbon emissions in a manner that doesn't disproportionately disadvantage low income households. One option is the government should use the regulation of energy network pricing to allocate carbon costs above a certain minimum life line consumption threshold. This would embed equity principles within the CPRS as it relates to electricity generation, and concurrently reduce the complexity of the broader compensation mechanisms.

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2.2 Energy Industry Capture – Gerard Brody, Consumer Action Law Centre

The energy industry's capture of Australian governments is not only hurting Australian consumers, but it may also impact on the ability of governments to reach agreement internationally on an effective response to climate change.

The Australian Financial Review's report of the meeting of the Ministerial Council on Energy on 31 July demonstrates the extent of the industry capture ('Carbon Wars: states vie for green dollar', 31/7). The meeting of the Ministerial Council, called to consider the impact of the proposed emissions trading system on the energy sector, was said to be addressed by the Energy Supply Association of Australia, the Energy Retailers' Association of Australia and the National Generators Forum. Not one constituent of the demand side of the market – consumers of energy services – were invited to participate. The outcome of the meeting demonstrates the impact of this failure to consider consumer's interests. The communiqué from the meeting stated that "Recognising that the interactions between the Carbon Pollution Reduction Scheme, the Renewable Energy Target and energy markets are of fundamental importance to energy security, Ministers agreed to cooperate in the further consideration of investor confidence, price regulation and transitional assistance to coal-fired generators". The interests preferred here are those of investors, energy retailers and coal-fired generators. There lacks any mention of effective market outcomes for Australia's consumers – whether that it is energy markets or emissions trading markets.

More importantly for Australia's long-term interests, perhaps, is the fact that this preferring of energy industries' interests may mean that a global agreement on emissions trading will not be achievable. As the Australian Financial Review's editorial rightly pointed out ('Doha's ideals still beckon', 31/7), the proximate cause of the recent breakdown in the Doha round of trade talks has been "special support mechanisms" maintained by a number of negotiating countries. These mechanisms are actually subsidies, designed to ensure local industries are protected from international trade. While the AFR lays the blame at India and US for such subsidies, it is somewhat paradoxical that the Australian Government's proposal for an emissions trading scheme includes large "concessions" for carbon-intensive industries, including the energy sector. While the Government's spin refers to this as the Electricity Sector Adjustment Scheme, it is clearly a subsidy designed to protect local industry – the exact same type of protectionism that the Australian Government says caused the breakdown of Doha negotiations. What is not clear is whether the Government realises that its blind support for the energy industry may mean that future international negotiations on emissions trading will suffer the same fate as Doha. That will be a bad outcome for all consumers and industry in Australia and throughout the world.

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2.3 Queensland Update, Fiona Guthrie, Queensland Consumers' Association

Price increases. Billing errors. First time funding for consumer advocacy. There has been a lot happening in the Sunshine State this year, and not much of it is "business as usual". Perhaps the easiest way to provide an update is to take it month by month...

- **February** - the weather is hot and so is the pressure on the Queensland Competition Authority. QCA have recommended an increase of 7% in the uniform electricity tariff. This compares with an 11% increase the previous year.
- **March** – Both Origin and AGL reveal they have not introduced a \$55 government rebate on gas bills. This affects 50,000 pensioners. Laws to make it mandatory for gas retailers to pass on the gas rebate for pensioners are rushed into Parliament.

A few days later, both Origin and AGL admit that around 3,500 pensioners have not received the pensioner electricity rebate. The same group has also wrongly been charged the Queensland Government's ambulance levy (a government tax collected by retailers to fund our ambulance service);

- **May** - an expensive month. Origin is fined \$50,000, AGL \$30,000 and Queensland Electricity \$15,000 for various breaches of the Electricity Act outlined above.

The Queensland Competition Authority increases electricity prices by 5.38% - a better result than the February recommendation of 7%. The Minister for Mines and Energy, Geoff Wilson announces a "Consumer Action Plan" to cushion the increases. This includes an increase in the pensioner rebate from \$145 to \$165 per year and three year funding to the Queensland Council for Social Service for consumer advocacy. This is the first time the Queensland Government has funded such a role. Previous lobbying efforts by volunteers in this state were simply ignored so this is very welcome news (QCROSS has three staff involved with the electricity project: Jo Dower, Linda Parmenter and Nadine Lester. They are already making a difference.)

The Queensland Competition Authority announces a review of gas pricing and competition.

- **July** – amid continuing controversy over electricity price hikes, the Queensland Competition Authority announce a review of the way in which the retail tariff is set. This is going to be a long process ...

Ergon Energy seeks \$30 million in pass through costs associated with Cyclone Larry in 2006. The Queensland Competition Authority finds the company cannot substantiate the costs and slashes that amount to \$10 million over two years. The Courier Mail has a field day.

The Queensland Competition Authority announces a review of Minimum Service Standards and Guaranteed Service Levels.

- **August** - The Minister for Mines and Energy and a number of backbenchers visit Victoria. Part of that visit includes a meeting with consumer advocates in that State. The visit has made an impact, with the Minister impressed by the much stronger consumer protection regime (and the calibre of our colleagues).
- **September** – in an ironic piece of timing, the Government announces a new Code that will compel retailers to give householders a \$40 credit if there is billing error of \$10 or more. A few days later, more billing errors are uncovered by AGL. This time the overcharging affects up to 60,000 customers, for an average amount of \$1.50 – the new code hasn't taken effect and wouldn't apply to this relatively small amount. The Minister immediately announces he will amend the proposal so that small billing errors

of up to \$10 but less than 40 cents will compel retailers to give credits of \$15 to affected customers.

The Minister also asks the regulator to talk to retailers about simplifying their bills.

Consumer advocates raise concerns about how the Government's \$3 million hardship program is working at a meeting with the Minister. These include restrictive eligibility criteria, an impenetrable application process, limited community awareness of the scheme and variable engagement with the program by retailers. The Department of Communities, who administer the program, have now agreed to involve QCOSS in an internal review of the program.

A theme running through the month by month description is that we have a proactive Minister who is interested in consumer protection. This is very positive. It is also possible that the Department may fund a visit from some of our Victorian colleagues to Queensland to share more of their experiences about FRC. This would be very helpful as we continue to build the capacity of consumer groups in this state.

- **October** - hasn't started yet. Watch this space.

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2.4 Review of Effectiveness of Retail Energy Competition in South Australia, Mark Henley, UnitingCare Wesley, Adelaide

In its first draft report on its Review of Effectiveness of Retail Energy Competition in SA on the 4th July, the Australian Energy Market Commission (**AEMC**) announced that competition in South Australia is effective.

"Having considered the evidence before it in the context of the analytical framework set out in Chapter 2, the Commission's preliminary findings are that competition is effective for small electricity and small natural gas customers in South Australia, although competition is relatively more intense in electricity than in gas. However, in making its preliminary findings the Commission has identified some structural limitations in relation to the ability for gas retailers to access firm transmission haulage services".

UnitingCare Wesley argued in the original issues paper that competition is not effective for South Australian energy markets as:

- there is a lack of competition in the supply of electricity, generation, which means effective retail competition is almost impossible;
- in practice, virtually no market offers are made to households in the poorer outer suburbs of Adelaide or in regional South Australia; and
- there is not effective competition in the gas market, since infrastructure is limited and only about half of South Australian households have access to gas supplies.

When the findings were announced in the draft report they came as a surprise to many, evoking responses from community organisations with a focus on five major issues:

Wholesale Competition

UnitingCare Wesley argues that the AGL/Torrens Island Power Station (**TIPS**) has the power to set prices in the market, resulting in other retailers, primarily second tier retailers, facing very high market risk and having to exit the market or build a risk premium into their retail prices.

The AEMC report, however, made no attempt to assess the role of AGL/TIPS in relation to the issue of retailers exiting the market and the link to retail prices, electing instead to claim that retailers are exiting the market due to the presence of a price cap.

Gas Market

A joint response from Council of the Ageing (**COTA**) and the South Australian Council of Social Service (**SACOSS**) questions the basis of the announcement that competition is effective in South Australian gas markets when the AEMC analysis itself highlighted that regional gas customers are only able to gain supply from one retailer, Origin.

Market Structure

The COTA / SACOSS joint response also queried the issue of market concentration and structure based upon the findings in the AEMC draft report which demonstrates that South Australian electricity and gas markets are highly concentrated with only a small number of firms, ie Origin, AGL, Tru and Simply/IP have 100% of the retail gas market and 92% of the electricity retail market. This level of market concentration indicates an oligopoly market, as defined by a Herfindahl-Hirschman Index (HHI) assessment, for the gas market has an HHI index of 4000 and the electricity market an index greater than 3800. An index above 1800 indicates a market with high concentration; an oligopoly.

The AEMC draft report primarily considered monopoly and effectively competitive market structures, overlooking the obvious characteristics of oligopoly market, which can clearly not be characterised as an 'effectively competitive' market.

Churn data

UnitingCare Wesley challenged the use of churn data as the basis for the AEMC finding effective competition, with an observation that the draft report did not consider the largest single group of customers in both the electricity and gas markets, who, even with the direct cash incentive of \$50.00 from the South Australian Government and significant marketing and promotion efforts by retailers, did not move to market contracts.

While the AEMC draft report did not explore this, UnitingCare Wesley suggest that significant numbers of South Australian consumers are choosing to retain the consumer protections and relative price certainty that is associated with standing offers when compared with competitive market contracts.

Engaging with Community Organisations

Both the joint COTA/SACOOS and the Uniting Care Wesley submissions queried the nature of the relationship between the AEMC and community based organisations contributions.

The query focused upon the effort for AEMC to engage community and consumer groups in the consultation process, highlighting concerns that they were not being 'heard'. Both groups recommended that a review of process of consumer and community engagement is necessary.

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2.5 The deregulation of energy prices in Victoria – Janine Rayner, Consumer Action Law Centre

The Energy Legislation Amendment (Retail Competition and Other Matters) Bill 2008 (the **Bill**) was introduced in the Victorian Parliament on 11 September 2008. This Bill implements part of the Victorian Government's response to the Australian Energy Market Commission's (**AEMC**) finding that competition in Victoria's electricity and gas retail markets is effective. As part of its finding, the AEMC recommended that retail energy prices be de-regulated. The effect of the Bill is to implement this recommendation as it removes the requirement that standing contracts be delivered at a regulated rate.

While the government is pitching this as an opportunity for consumers to choose their own retailers, consumer groups are concerned that there is only limited emphasis on the fact that prices will no longer be regulated and the responsibility this places on consumers to understand their energy use and the offers available to them.

In a win by community and consumer groups in Victoria, the Victorian government included in the Bill the mandatory publication of both standing and market offers by energy retailers, including the requirement for market offers to be published on the Essential Services Commission's website. The publication of offers will create a level of transparency that ensures true price comparisons across products. Effective price comparison between products is necessary for the benefits of competition to be shared among consumers.

The details of the publication requirements are still to be worked out and an Order in Council that is to accompany the Bill will provide for the coverage of the publication obligations. The Essential Services Commission will consult on the detail of the publication requirements in the coming months.

For competition to be effective, consumers must have the ability to compare deals in the market place. It is integral that these publication requirements enable consumers to compare an offer being marketed to them with other, current and relevant deals available in the market. Effective competition relies upon consumers being able to make informed choices.

The requirement to publish on the ESC's website, in particular, can ensure consumers can compare deals with other like deals. In order to do so, the publication requirements should, at a minimum:

- Ensure that all key market offers are subject to the requirement to publish on the ESC website; and
- Ensure that offers are comparable against other like offers, by mandating disclosure of certain features and requiring consistent terminology.

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2.6 South Australian Energy Affordability Forums

UnitingCare Wesley Adelaide and SACOSS have received some funding from the Essential Services Commission in South Australia to explore the questions of future energy affordability for low income and disadvantaged households, without compromising environmental goals. They are running a two workshop process with the second workshop, scheduled for 15 October 2008, focusing on a consultant's report about policy and program options that would have a high likelihood of ensuring that low income people do not end up paying disproportionately

more for energy price increases. The consultancy is being undertaken by Deloitte from Victoria.

The first workshop brought key stakeholders 'around the table', a first in South Australia on energy affordability matters and comprised the sharing of current information from the various stakeholders and which also helped to scope the consultant's brief.

The process will result in three documents being produced, an overview on energy affordability for low income households (in SA), the consultant's report and a final report for the stakeholders about what role they can play to ensure that energy is affordable for low income households.

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