



16 February 2017

Roadmap secretariat

By email: ntr@energynetworks.com.au

Dear Sir/Madam

Electricity network transformation roadmap: key concepts report

Consumer Action Law Centre (Consumer Action) welcomes the opportunity to respond to the *Electricity network transformation roadmap: key concepts* report. We support the focus of the roadmap of incentivising and enabling customer choice and control in the developing energy market, while providing appropriate customer protections and avoiding unfair impacts on vulnerable customers.

While we support the specific recommendations in *Part 4: customer safety net* of the report, we consider that the current milestones do not provide sufficient protections for the most vulnerable. More must be done to both improve outcomes for those engaged in the market, and to assist vulnerable consumers to access to new products and services.

Supporting effective engagement

The roadmap focuses on the provision of clear and transparent information as the basis for more effective customer participation in the energy market. However, given the complexity of the energy market and the potential interactions of a range of new energy products and services, there is a significant risk that, even with effective information requirements, customers will not be able to identify the most appropriate products or services for their circumstances.

Effective information requirements must simply set out the key matters for the customer to be aware of in making a decision about whether to agree to a contract or financial arrangement. This includes information about how the product or service works (including how it interacts with any existing energy products or services received by the customer), the anticipated risks and benefits, and protections or dispute resolution options that are available. Information requirements at the point of sale must also be complemented by a general tightening of marketing provisions.

Supporting these information requirements should be an enhanced explicit informed consent obligation that requires energy providers to assess the suitability of the product or service for the specific customer before they enter an arrangement. This could include a requirement for providers to clearly identify the consumer's purpose in acquiring the product or service, and to note it in contractual documentation.

These additional requirements on energy sellers must also be supplemented by a broader consumer information and education strategy provided through an independent, trusted source. Resources could include an improved comparator tool, a targeted advice line for vulnerable consumers and information tailored to low-literacy and culturally and linguistically diverse communities.

Supporting vulnerable customers

The roadmap provides for vulnerable (passive) customers to benefit through two key initiatives:

- Measures to reduce the impact of decisions made by other consumers (primarily achieved through the move to cost-reflective tariffs that will reduce cross-subsidies and distorted incentives), and
- Redesign of the energy concessions and emergency assistance frameworks.

It is important to recognise that measures such as cost reflective pricing, while potentially benefiting most consumers in the longer-term, introduce immediate risks for some vulnerable consumers if not implemented carefully. Some consumers—those whose electricity usage imposes a higher cost on the provision of network services or consume more energy at times of high energy wholesale costs—will necessarily ultimately pay more for those services. If these customers have a limited ability to make behavioural changes, or face financial or other barriers to replacing inefficient appliances or implementing technology solutions to reduce their usage (for example, tenants have limited ability to replace household fixtures and fittings), they risk unaffordable changes to their energy costs.

In moving to cost reflective pricing, these transitional issues must be given primary consideration. Consumers likely to face higher costs should be assisted through the transition with information, education, incentives and other targeted programs to alleviate the cost impacts of any tariff change, and help to reduce their overall demand or otherwise increase their ability to respond and capacity to adapt.

We support work to redesign concession frameworks to ensure they continue to provide effective assistance for those most in need (milestone 4). However, given the rapid pace of change in the energy market and the significant consumer detriment that we are already seeing in some segments of the market, this work should be prioritised and introduced well before the roadmap's recommended timeframe of 2022. The focus of this work should be to ensure that that concessions are available to all low-income households, and provide an appropriate level of assistance, regardless of how each household receives its energy supply.

This work on regulatory protections must be complimented by other measures to ensure vulnerable customers, including low-income households and tenants, are not left behind. In particular, measures are needed to support these households to reduce their exposure to energy costs through accessing new products and services or improving the energy efficiency of their homes.

Finally, we support the development and implementation of a universal authorisations and exemptions framework (milestone 1). This is particularly important to ensure all energy consumers have access to free and independent dispute resolution, regardless of how they obtain their energy supply. However, not all new energy products and services will fall neatly within the energy regulatory framework. Consumer Action has seen many examples of consumer detriment (particularly in relation to solar products) resulting from customers being required to seek

resolution of related issues through different channels. Work to develop the authorisations/exemptions framework must, therefore, occur alongside changes to protection frameworks in other sectors such as the credit industry.

Please contact Gerard Brody at Consumer Action on 03 9670 5088 or at gerard@consumeraction.org.au if you have any questions about this submission.

Yours sincerely

A handwritten signature in black ink that reads "Gerard Brody". The signature is written in a cursive, flowing style.

Gerard Brody
Chief Executive Officer
CONSUMER ACTION LAW CENTRE