

ECCV Submission to the Australian Energy Regulator (AER) Victoria Electricity Pricing Review July 2015

The Ethnic Communities' Council of Victoria (ECCV) appreciates the opportunity to submit comments to the Australian Energy Regulator (AER) Victoria Electricity pricing Review (The Review).

The ECCV is the voice of multicultural Victoria. As the peak body for ethnic and multicultural organisations in Victoria, we are proud to have been the key advocate for culturally diverse communities in the state since 1974. During this time, we have been the link between multicultural communities, government and the wider community. The ECCV is a member driven organization that advocates and lobbies all levels of government on behalf of multicultural communities and its members.

The scope of this submission

In terms of electricity distribution pricing and the companies involved, ECCV has not consulted with culturally diverse communities. The Review is the first time for ECCV to review progress in the national harmonisation of energy regulation and we see value in learning about this transition and its effect on culturally diverse Victorians. This is also a policy evaluation and commentary. It does not propose to engage with the merits of the economic modelling which, clearly, has benefits for how the energy distributor companies efficiently manage investment in their various operational tiers.

The ECCV can, however, comment on the AER framework and how this allows consumer advocate organisations to link consumer consultation and feedback in ways that directly influence the established pricing review systems established by both the AER and the Distributor Network Service providers (DNSP). It can also comment on how clear the reporting of DNSP performance across jurisdictions are and if they meet standards of community/customer consultation in the areas of service and quality which may inform the definition of *"the long term interests of consumers of electricity"*.

The documents we are commenting on in The Review include: the *Consumer guide to Victorian electricity distribution pricing review, 2016-20* (AER, May 2015), *Issues Paper: Victorian electricity distribution pricing review, 2016 to 2020* (ARE, June 2015) and the June 2015 released *Electricity distributors 2011-13 performance report* (AER, June 2015). ECCV highlighted this report as missing in its initial email feedback to the AER and are re-submitting comments after it was published on the AER website in June 2015 after discussion with AER staff.

We will comment on two main areas. Firstly, we have identified limitations within the current AER terms of reference which we find very disconnected from customer experiences due to the absence of any benchmarking for consumers' service and quality. We discuss this disconnection in our second area of concern - a lack of engagement with CALD consumers and a lack of identification of where

resources are needed to ensure that CALD consumers (and indeed all electricity consumers in Victoria) are able to access and engage with DNSPs on pricing issues.

For further information on vulnerable energy consumers and energy retail issues in Victoria, ECCV direct the AER to two Victorian Council for Social Services' (VCOSS) publications – *Inquiry into the Financial Hardship Programs of Energy retailers: Submission to Approach Paper* (VCOSS, May 2015) and *Setting Victorian Energy Efficiency Targets* (VCOSS, May 2015). ECCV is aware that the Consumer Utilities Advocacy Centre (CUAC) have produced two publications that significantly engage with AER's economic modelling in *The Review – CUAC Regulatory Review: A Critical Review of Key Consumer Protections in Victoria, A CUAC Research report Volume 1* (CUAC, May 2015) and *Cost Reflective Pricing: Engaging with Network Tariff Reform in Victoria* (CUAC, June 2015).

Background: ECCV's involvement with CALD energy consumers and retailers

As discussed, ECCV has used its policy and advocacy work on CALD community needs and documented barriers to access services across the public and private sector to identify gaps in the way that The Review's economic modelling is not inclusive of CALD consumers or how consumer data is introduced into the regulatory process. We are also informed by our community education work with multicultural energy retail consumers, our consultation with energy consumer advocates and with a range of community and government stakeholders involved in our own CALD energy consumer community education project.

The ECCV 'Multicultural Communities Energy Education Project' gives practical advice on how to reduce costs and energy use on household electricity bills and raising awareness on renewable energy and climate change among six culturally and linguistically diverse communities in Victoria. The communities are Polish, Russian, Turkish, South-Sudanese, Chin-Burmese and Bhutanese. The project has been funded by the Victorian Department of State Development, Business and Innovation under the Energy Information Fund. The consultations that occurred during the project informs our knowledge of CALD electricity consumers in Victoria.

In this project, bilingual energy educators are trained to deliver community education workshops to the target communities. So far, ECCV has delivered 35 workshops to 900 people from CALD communities. During these workshops, various issues were raised by participants regarding energy bills, pricing and access to information. As a result of this feedback, ECCV identified a lack of engagement in both the Issues Paper and the Electricity Distributors 2011-13 performance report between consumers and DNSPs which makes the economic analysis of both papers unclear.

Attachment 1 provides a summary of the feedback resulting from this consultation which was also submitted to Victoria's Commission for Essential Services. This project comes to completion in September 2015.

Comment Area 1

Gaps in the current AER framework

Within the current framework there are a number of barriers for understanding the role of CALD consumers in defining, measuring and regulating how well DNSPs perform. The most important being the need for DNSPs to improve engagement with their customers to ensure that their products are accessible. Companies also need to learn about the relevant resources consumers need to engage with them. Neither issue is properly addressed by the current AER framework.

These are barriers which are built into the current AER framework through its terms of reference; and which are illustrated in an absence in consumer data and reporting mechanisms which shows gaps to accessibility and the resources needed to improve consumer engagement and access to affordable, strongly performing electricity services for culturally diverse communities.

ECCV understands that differences between state and federal regulation do not currently support a 'right of electricity consumers' in Victoria and there are no benchmarks for the provision of basic access and services. It is further aware that the AER's current framework does not affectively include the consumer in measuring the criteria for efficiency.

The AER's current terms are as follows:

Promote efficient investment in, and efficient operation and use of electricity services for the long term interests of consumers of electricity with respect to electricity supply and the national electricity system.

Improved customer engagement with Victorian electricity consumers about their electricity supply, including the cost of service performance, is necessary for the AER's pricing review to show clear evidence that the performance of distribution companies financially equates to meeting "... the long term interests of consumers of electricity with electricity supply...".

The absence of a minimum benchmark of access and engagement is stark. Indeed a minimum benchmark of reliability of supply is not currently available and required to create openings in the economic measurement for consumer feedback independent of the DNSPs. Where consumer/customer data is being gathered it is gathered by the DNSPs themselves. This is problematic. It creates an environment where distribution companies can report both low rates of reliability of supply and high performance rates at the same time in the AER's Electricity distributors 2011-13 performance report using a weighting system established independently of evidence of what mainstream consumers, CALD consumers, small business and other key stakeholders in the national electricity market (NEM) may experience.

Comment Area 2

Gaps in access to and engagement with DNSPs

ECCV is pleased to see that the *Electricity distributors 2011-13 performance report* which was not available on the AER website is now uploaded after its enquiry to the AER on this data. It is regrettable that these were not made available earlier in the consultation as a reading of the report raises questions about the quality of AER's understanding of systemic barriers facing vulnerable electricity consumers more generally, and in Victoria specifically.

The lack of access to and engagement with DNSP limits an understanding of CALD consumer needs addressing in the next performance report. From a consumer advocacy perspective, an assessment of DNSP performance without adequate independently gathered data on customer/consumer evaluations is not complete.

ECCV suggests that an independently assessed customer feedback process (including consultation) would help to formulate a service quality benchmark that would assist the current economic model to identify where the resources needed to promote greater engagement are most needed. How effective The Review is in meeting both business and consumer needs remains unclear in the absence of this information.

Overall, ECCV finds that these documents demonstrate that the AER have a strong understanding of the business development framework for DNSPs across jurisdictions. A range of valuable compliance

mechanisms tied to pricing have been developed, some of which have the potential to be effective for consumers.

Building the rating system for compliance into the pricing regulation system can be problematic as there are no clear areas of breach and correction to identify if non-compliance is tied to not meeting customer/consumer benchmarks which do not exist. ECCV finds this problematic when commenting on access and engagement, as it cannot properly assess where CALD consumers are not being engaged and if DNSPs have understood the barriers they face as CALD energy consumers.

Assessment of 5 DNSP forecasts from the perspective of CALD consumer advocacy.

ECCV presents the following excerpt from the Issues paper to illustrate how we, as an advocate for CALD energy consumers, might review Victorian DNSP forecasts.

The Issues paper points out that Victorian distributors have forecast:

1. Growth in services-particularly peak demand-which exceed the forecasts produced by the Australian Energy Market Operator (AEMO);
2. Increases in capital expenditure (capex) that distributors attribute to factors including urban growth, asset age and condition and greatly enhanced fire safety programs that address issues from the 2009 bushfires. The Review highlights an increase despite lower demand in the current period;
3. Increases in operating expenses (opex) that look at processes called 'step changes', impacts of service classification (e.g. metering) and changes in capitalisation policy;
4. A return on equity which is 'materially higher' than that that used in recent AER decisions in NSW, QLD and SA distribution but for which the AER is still assessing if it complies with their Rules; and
5. Estimates of higher levels of customer engagement activities than in the past.

For Issue 1: The request to further examine distributor forecasts that exceed forecasts by the AEMO appears reasonable and commendable, as higher forecasts will justify higher revenue earnings by distributors which lead to high electricity costs for consumers and business. It is acknowledged that consumer surveys prioritise reliability even at higher costs, but see value in a pricing review to ensure that distributors do not see this as a blank cheque to increase their distribution cost projects.

For Issue 2: The Review's questioning of increasing capex in the light of lower demands/ or electricity usage is reasonable and commendable, but ECCV is concerned again that increasing distributor charges will disadvantage vulnerable consumers in CALD communities.

For example, Powercor has forecast costs with underground power lines in high-risk fire areas which tend to be in regional areas with increasing migrant settlement communities. For a CALD consumer advocate, it is unclear if these expenditures will be off-set in the long term by reduced operating costs and if vulnerable settlement communities will be affected if Powercor exceeds its capex in the forecast period.

For Issue 3: The factors which effect demand have been made less clear to ECCV than the response of distributors to this demand in this review document. With regard to higher projections in opex, standardising the processing of data for reporting (or compliance) and procedural purposes, should not override data gained by distributors from consultations with multicultural consumers. They need

to remain open to initiate new procedures if vulnerable consumers are unable to clearly understand any cost-saving measures and systems promoted by distributors in order to meet their compliance.

For Issue 4: A return on equity is not an unreasonable goal for distributors as long as a price adjustment to services sold as products do not offer higher fees to meet expectations of reliability which all consumer surveys in this report indicate is viewed as a basic utility.

For example, Jemena's updating of price components to encourage informed energy decision-making with a 'maximum demand change' dependent on how and when the customer uses the network should not be profitable at the cost of forcing vulnerable consumers into tiered system of activity where they are disadvantaged at certain times of the day.

Their second initiative – the No Loan Interest Loans partnership (to replace inefficient appliances) – also looks promising. ECCV sees the range of ideas in distributor submissions as valuable if they target vulnerable Victorian consumers and CALD consumers.

For Issue 5: It could be worthwhile to link customer engagement activity directly with the 'quality of service provided' and measurement data of distributor compliance breaches in the last 12 months to fully appreciate the benefit of consulting with communities.

A report measuring the performance of these companies (CitiPower, Powercor, AusNet Services, Jemena and United Energy) was completed but not uploaded a year ago, and it was only recently published by the AER on request by ECCV.

Earlier distribution of this report would have assisted ECCV (and all consumer groups) to assess distributors' pricing projections based on their performance and comparing it to CALD and settlement communities in geographic regions relevant to each distributor.

This would have helped ECCV to know if the review was monitoring variables attributable to the demographic makeup of particular regions. Further, without knowing the number and type of regulatory breaches by distributors in the past 12 months, it is difficult to assess the context of the distributors' claims in the document.

Further consultation has shown low levels of understanding of how to reduce costs and energy use in households and a lack of knowledge of the percentage of their final bill that is decided between the AER and the 5 main energy distribution companies in Victoria. ECCV supports the costs of high levels of engagement but can only see that United Energy has made any attempt to integrate this engagement into their price decision-making.

ECCV again thanks the AER for inviting ECCV to comment on this Review and makes the following recommendations to assist CALD energy consumers to make future comment on AER decisions that affect their communities.

Recommendation 1

Assess the impact of its current framework for assessing how the efficiency of investment in the DNSP sector addresses identified CALD energy consumer needs.

Recommendation 2

ECCV recommends that the AER:

Assess how customer evaluations of service and quality are gathered and used by DNSP's in the reporting to AER.

Recommendation 3

ECCV recommends that the AER:

Encourage the sector to engage more with consumers and CALD consumers in particular who may be disadvantaged in price-based mechanisms to balance quality and service with operational costs.

Recommendation 4

ECCV recommends that the AER:

Encourage the sector to engage more with consumers, the AER and consumer advocate groups across jurisdictions to develop a benchmark for quality and service to more equally balance the relationship between DNSP's and their customers (including CALD customers).

Recommendation 5

ECCV recommends that the AER:

Inform consumers and consumer advocate groups about the full range of compliance mechanisms, outside of punitive pricing mechanisms for DNSP's, through their performance reports.

Recommendation 6

ECCV recommends that the AER:

Report performance reports for DNSPs on an annual basis.

Recommendation 7

ECCV recommends that the AER:

Consult more frequently with culturally diverse energy consumers across Victoria, paying particular attention to migrant settlement communities in regional areas

For more information contact Carl Gopalkrishnan, Senior Policy Officer on telephone 039349 4122 and email: cgopalkrishnan@eccv.org.au.

References

Australian Government, Australian Energy Regulator, *Issues Paper: Victorian electricity distribution pricing review, 2016-2020*, June 2015

Australian Government, Australian Energy Regulator, *Consumer guide to Victorian electricity distribution pricing review, 2016-20*, May 2015

Consumer Utilities Advocacy Centre, *Regulatory Review: A Critical Review of Key Consumer Protections in Victoria, A CUAC Research report Volume 1*, May 2015

Consumer Utilities Advocacy Centre, *Cost Reflective Pricing: Engaging with Network Tariff Reform in Victoria*, June 2015

Victorian Council of Social Services, *Inquiry into the Financial Hardship Programs of Energy retailers: Submission to Approach Paper*, May 2015

Victorian Council of Social Services, *Setting Victorian Energy Efficiency Targets*, May 2015

ATTACHMENT 1

The ECCV 'Multicultural Communities Energy Education Project' gives practical advice on how to reduce costs and energy use on household electricity bills and raising awareness on renewable energy and climate change among six culturally and linguistically diverse communities in Victoria.

The key issues identified by participants in workshops are:

1. My Power Planner is an independent Victorian Government website (tool) that helps to compare electricity offers from all energy retailers. Due to the website complexity, complexity in energy plans, lack of computer literacy and low level of English language among CALD communities, people are facing difficulty accessing and utilizing the tool. Majority have difficulty understanding structure of electricity bills, modern apps and using internet.
2. Difficulty accessing financial hardship support. This is due to
 - Unavailability of Utility Relief Grant Form
 - Lack of skills to fill out hardship form
 - Lack of knowledge about concessions among CALD Communities
3. Service charge is generally very high on electricity bills. People who have installed Solar Panels are concerned that they are paying higher service to property charge on their electricity bills even though the excess amount of electricity generated from Solar panels goes back to the electricity grid.
4. Door knock electricity salespeople influencing consumers to change electricity providers and this results in receiving a high electricity bill
5. There is a limited number of energy information programs targeting CALD communities. The MCEE project is targeted to only 6 CALD communities. It would be ideal to get a cross section of communities such as younger people, senior citizens, newly arrived migrants / refugees and more established ethnic communities. In addition to the above 6 communities, the following communities have also expressed interest to involved on the program:
 - Nepalese
 - Maltese
 - Iraqi
 - Tamil
 - Afghani
 - Chinese
 - Macedonian
 - Italian