

12 May 2010

Regulated retail prices for electricity 2011
Independent Pricing and Regulatory Tribunal
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Thank you for the opportunity to comment on the document - *Changes in regulated electricity retail prices from 1 July 2011 Electricity — Draft Report*.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON acknowledges the importance of this Draft Report in its emphasis and analysis of the impact of the pricing proposals on consumers. The recommendations flowing from this in the Draft Report are significant.

EWON recognises that just over 16% of the proposed 18% increase (on average) stems from factors beyond IPART control. We note that 10% of the 18% increase is the Australian Energy Regulator (AER) network pricing determination for 2011-12.

The scenario of increasing energy costs has been discussed in a range of recent reports including the AEMC's *Strategic Priorities for Energy Market Development*, the NSW Government's report *NSW Electricity Network and Prices Inquiry* (Parry Duffy report) and the *Garnaut Climate Change Review: Update Paper 8: Transforming the Electricity Sector*. The issues associated with energy affordability and energy pricing are complex, and any responses will need to be wide-ranging and comprehensive.

The two key areas of recommendations by IPART in the Draft Report propose actions to limit future increases in network pricing and in the cost of various green schemes. These proposals are aimed at reducing the rate of increase, however we note that even if the proposals were fully implemented there would still be some significant increases in energy costs.

IPART's proposals address the inputs to the price of electricity. EWON is interested in addressing the outcomes of price increases and measures that can be

undertaken to assist energy affordability especially for vulnerable and disadvantaged customers.

Affordability

On 1 July 2011 the NSW Government's current Energy Rebate will be replaced by the *Low Income Household Rebate* and will increase from \$145 to \$200. While this increase of \$55 will be welcomed by eligible consumers, IPART has estimated an average increase in electricity bills for customers without gas of around \$250 (\$316 in regional NSW) and for customers with gas around \$200 (\$267 in regional NSW). While the rebate increase is a positive response to energy affordability, it would appear to fall well short of the expected increases that these customers will be facing.

EWON has been contributing to IPART discussions about pricing and affordability, both informally, and formally at the public forum into the *Changes in regulated retail electricity prices from 1 July 2011* held on 2 May 2011.

We have suggested some measures for consideration that could be implemented in the short term to assist consumers. We have identified some affordability measures that need to be discussed by all stakeholders. We have also indicated some other matters which we believe need to be the subject of research to provide the basis for evidence based policy decisions.

Short Term Proposals

- *Extension of Low Income Household Rebate to retirement villages.* We suggest that it is an anomaly that eligible customers in residential parks can receive the rebate while customers in the same situation in a retirement village are not eligible. EWON notes that the Draft report endorses the proposal that this anomaly be addressed.
- *Implementation of expanded Energy Accounts Payment Assistance (EAPA) scheme.* In 2008 changes were proposed to the EAPA scheme as part of the Customer Assistance Program (CAP), in particular, an increase of \$55 million over five years for the scheme. EWON has also contributed to the NSW Government's Consultation Paper reviewing the EAPA scheme in December 2010. EWON notes some of the issues discussed in Appendix D of the report and in particular a review of the eligibility criteria. EWON supports a review of the EAPA scheme in terms of its effectiveness for disadvantaged customers. However, since EAPA is the primary means through which emergency assistance is provided to consumers, an enhanced scheme needs to be operating from 1 July 2011 when electricity price increases take effect. We

suggest that any further reviews should not hold back an increase in the level of assistance provided.

- *Introduction of a service to property charge rebate.*
EWON suggests that this Victorian concession which provides assistance to concession households with low electricity consumption should be introduced in NSW. As we understand it, if the cost of electricity used is less than the supply (or service availability) charge, then the supply charge is reduced to the same amount as the electricity usage cost. Such a concession would be of benefit to eligible low consumption customers who have undertaken relevant energy saving measures but who then see little or no reduction in their bill.
- *Introduction of pre-payment meters into the NSW market under the NECF framework.* EWON has supported pre-payment meters as a tool which would assist some customers in managing their energy costs. The NECF provisions for pre-payment meters provide a high level of consumer protection, and we suggest that this option should be available for NSW consumers on the basis of specific choice by consumers.

Suggestions for discussion

EWON notes that the AEMC *Strategic Priorities for Energy Market Development* has identified rising prices as one of the key challenges in the energy market. However, the Strategic Priorities identified in the document do not address the issue of rising prices or affordability.

In our response to this document we will propose that the AEMC could play a key role in facilitating a national discussion around the issue of energy affordability. Further we suggest that this discussion should examine issues such as a social tariff and the value of an energy affordability benchmark. Such a discussion should draw on Australian best practice as well as examining international initiatives around affordability.

IPART has called on the AEMC to initiate a review of the economic regulation arrangements in the National Electricity Rules. EWON believes that there would be benefit for IPART to also call on the AEMC to convene a national forum of all stakeholders to discuss energy affordability in the context of the National Energy Market.

EWON has previously raised with the AER the question of energy networks contributing to retailer hardship programs to increase the assistance to customers in financial hardship. Given that a significant part of price increases is driven by network charges, a network contribution to assist in hardship programs appears

reasonable. In the current context of over half of the proposed increase being network charges then a discussion of how networks could contribute to hardship programs would be extremely timely.

Issues for research

EWON believes that there is a need to research the effectiveness and efficiency of the community service obligations of different jurisdictions with a view to identifying best practice, and potentially harmonising rebates and emergency assistance across the national energy market. EWON welcomes IPART's support for such a review.

This could include an evaluation of the merits of distribution of emergency assistance through community welfare agencies (NSW) or by government departments (Victoria). The issue of whether an energy rebate should be a percentage of a bill or a flat amount with regular indexation could also be examined. Such research could provide valuable guidance to Governments in ensuring that assistance is targeted and distributed in the most effective and efficient manner.

EWON also suggests that there would be value in examining disconnection rates in different jurisdictions with an aim to identify best practice in reducing the number of disconnections.

Such research when combined with the information provided in Chapter 6 of *Changes in regulated electricity retail prices from 1 July 2011 Electricity — Draft Report* would provide a good evidence base for further development of affordability proposals.

If you would like to discuss this matter further, please contact me or Chris Dodds, Senior Policy Officer on 82185250.

Yours sincerely



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