



**Submission to: ESCoSA**

**Regarding: Review of the NERL in SA**

**March 2016**

**Submission prepared by: Uniting Communities**

**10 Pitt Street, Adelaide, South Australia.**

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## Introduction – Uniting Communities

Uniting Communities works with South Australian citizens across metropolitan, regional and remote South Australia through more than 90 community service programs.

Our vision is : A compassionate, respectful and just community in which all people participate and flourish.

We are made up of a team of more than 1500 staff and volunteers who support and engage with more than 20,000 South Australians each year.

Recognising that people of all ages and backgrounds will come across challenges in their life, we offer professional and non-judgemental support for individuals and families.

Uniting Communities offers programs for:

- Older People
- Younger People
- Families & Children
- Housing & Crisis Support
- Mental Health & Well-being
- People with Disabilities
- Carers
- Financial & Legal Services.

Our perspective for this submission is drawn, in particular, from Financial Counselling and relationship counselling services as well as residential aged care, disability and carer support services and the APY Lands Paper Tracker service. We also have a developed public policy and advocacy interest in utilities policy and regulation due to the impacts on the costs of living for low income people, including people living in poverty.

Uniting Communities thanks ESCOSA for the opportunity to present responses to this review through public forums and bilateral meetings, This brief written submission is intended to highlight key points that we have made verbally.

## Contextual Comments

We recognise that this review is focussed on impacts on South Australia and is dealing with a set of changes that have been occurring for well over a decade. Uniting Communities was part of the early discussions with the national level Retail Price Working Group (RPWG) well over a decade ago and helped form consumer group responses to a range of papers, drafts and proposals through this process and the National Energy Customer Framework (NECF) developments that it morphed into, which is in turn is part of the National Energy Retail Law (NERL).

We note that this suite of rules was regarded, during development, as the final ‘major plank’ of establishing national, competitive energy markets in Australia, with its core focus on

consumers and their (long term) benefit. It is our opinion that what we'll summarise as the "NERL/NECF reforms" were never quite completed, and indeed live on through aspects of the "Power of Choice" processes driven by AEMC, and supported by specifically COAG and AEMO, in implementation.

We opine that the place of and protections for consumers in national energy markets remains 'unfinished business,' with different views remaining about the meaning, in practice of the long term interest of consumers.

A further contextual observation for the review of NERL in South Australia is to state that the rate of change in standing energy markets is much greater than was considered likely at the times of the Hilmer / Parer reviews and in formulating the NERL.

## **Impact of NERL in South Australia**

Noting that there have been many changes to national electricity and gas rules since they were first established, observing that NECF has not yet become 'national' and noting the rapid changes in energy markets that are currently underway, it is very difficult to isolate direct impacts of any aspect of the NERL or the NERL in total to any single jurisdiction. This said, our observation is that the NERL has done no harm and that there are net benefits to SA consumers flowing from it.

### Impacts on Consumer Protections

A major positive of the NERL is that it provides a base level of protections and requirements regarding customers that energy providers need to adhere to. There is capacity for rule changes, though this is a vexed process for consumer focussed groups, meaning that improvements are possible within an established framework.

The question is then whether SA consumer have given up benefits or protections that they would otherwise have been afforded, to achieve a national approach. We suspect that SA consumers have not lost out, compared to what might otherwise have been. South Australia has been well represented in national energy debates by informed ministerial leadership, strong Departmental and adviser expertise and informed consumer representation. It is also likely that any imagined gap between national protections and likely separate SA protections is narrow.

### Retailer Service Standards

Maintenance of energy retailer service standards for SA consumers has been important as requiring service standards has meant, we observe, that retailers have had to give some more attention to responsiveness to SA customers than might otherwise have been the case.

## Data

An important positive from NERL/NECF for Uniting Communities, and other consumer groups has been the data produced by the AER comparing consumer experience across (NECF) jurisdictions and publishing data about consumer experience of hardship, and affordability issues. The annual AER publications “State of the Energy Market Report” and “Annual Report on the performance of Retail Energy Markets” are high quality and inform policy and regulatory debate. The capacity of the national Regulator to obtain and publish this important data, is a function of the NECF. Examples of this data are presented in the next section.

While an analysis of the impact of NERL for SA consumers can, at best, be a partial analysis, we are satisfied that application of the NERL/NECF in SA has been positive for consumers, but has not had substantial impact, positive or negative.

## **Future Aspects of NERL/NECF**

We also wish to comment on a couple of matters that are pertinent to the future of NERL/NECF application but which we acknowledge are beyond the immediate scope of this review, still we think they are important issues.

### Energy Stress still too High in SA

While there has been progress in advancing consumer protections in energy markets, the reality is that energy costs are still too high for a significant number of SA customers, both households and for some small businesses.

The chart shown as figure 1 and taken from the Australian Energy Regulator’s annual retail performance report shows that over about the last decade, retail electricity prices in all jurisdictions across Australia have grown substantially. The modest reductions of the last year or so (except in Brisbane) in no way make up for the dramatic price increases experienced over an extended preceding period. Note that South Australia, the yellow line in figure 1, has the highest electricity retail prices in Australia and has not had recent price reductions of the same order as most other Australian jurisdictions.

The combination of low and minimally changing income levels with this rapid escalation of electricity prices over much of the last decade has been the experience for most people in the bottom half of the South Australian income distribution.

**Figure 5.6**  
Retail price index (inflation adjusted)—Australian capital cities

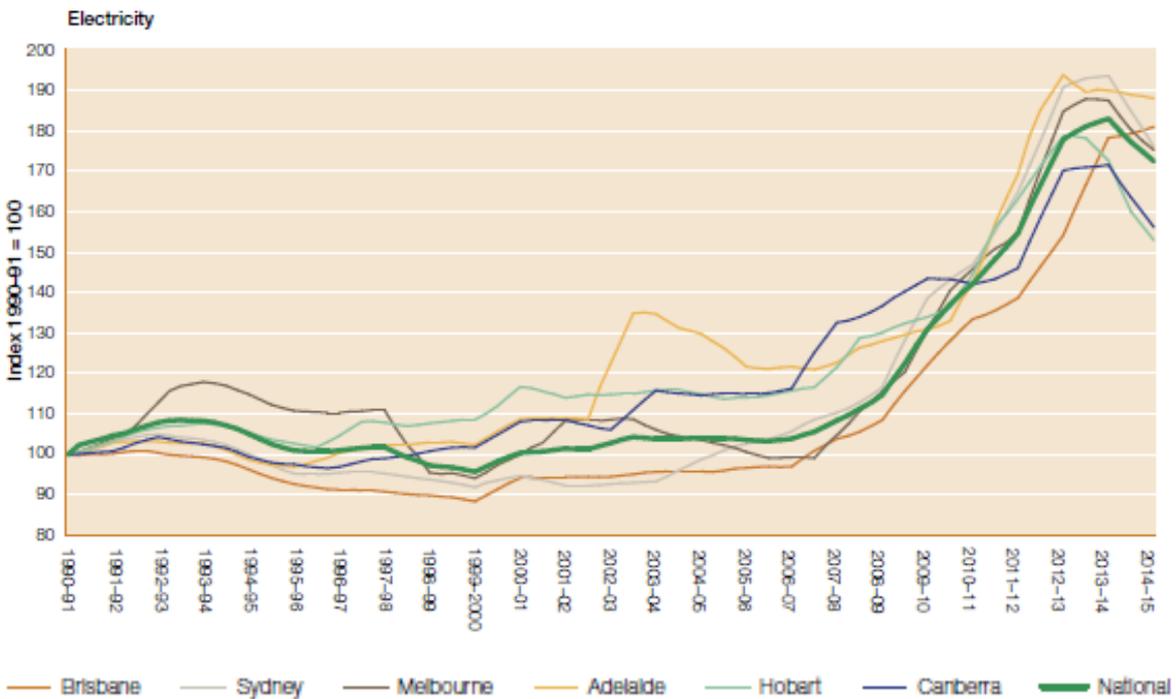


Figure 1. Source AER, 2014–15 ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

The combination of flat income growth and high energy price increases has produced a number of unsatisfactory outcomes for residential (and small business) consumers. Figure 2 shows residential electricity disconnections for non-payment from 2009-10 to 2014-15 for South Australia, showing that the number of disconnections has nearly doubled over the latest six-year period. While there has been a slight decline from the previous year for 2014-15, levels of disconnections are still extremely high.

The data in figure 3 shows that the number of people disconnected and then reconnected for South Australia, increased from 2013-14 to 2014-15. It is this data which most clearly reflects disconnections due to inability to pay. The data in figure 3 also shows that South Australia has the highest rate of disconnections for inability to pay for electricity across NECF jurisdictions.

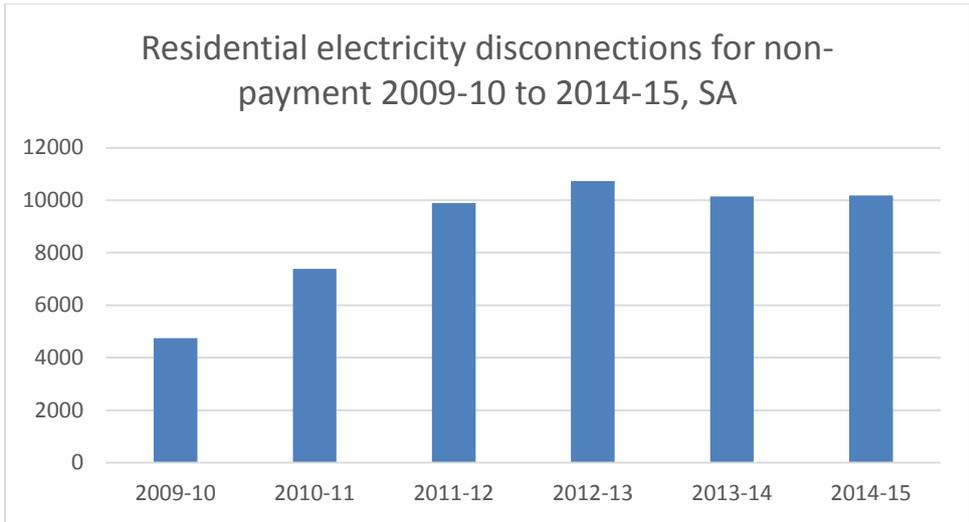


Figure 2. Source AER, 2014–15 ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

**Figure 2.8: Residential customers disconnected for non-payment in 2013-14 and 2014-15 by jurisdiction**

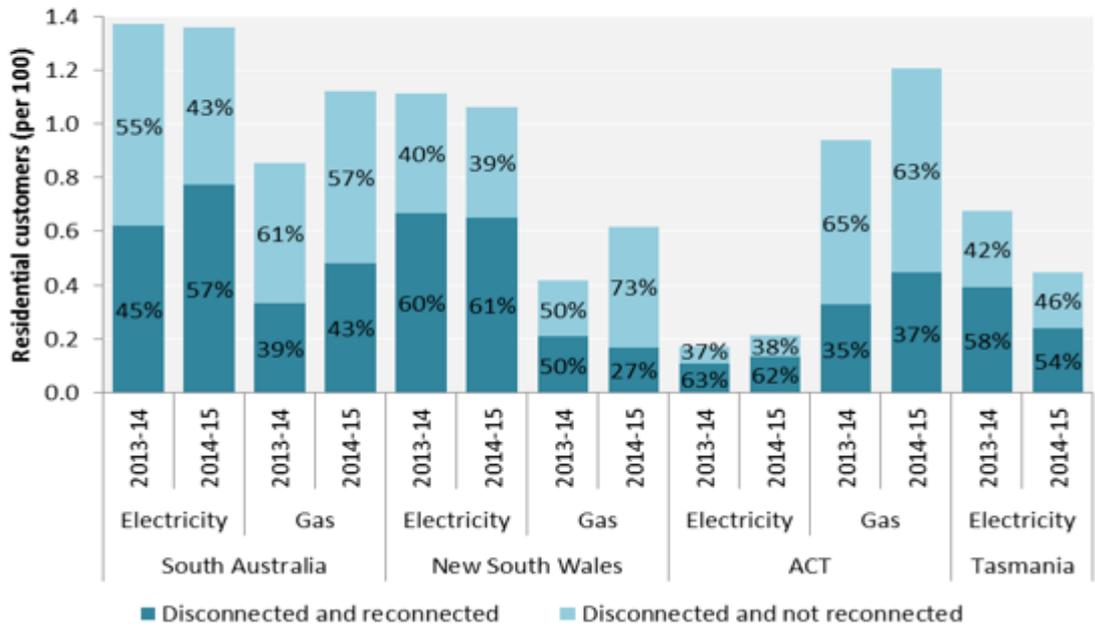


Figure 3. Source AER, 2014–15 ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

Figure 4 shows data regarding the proportion of residential electricity customers repaying electricity debt as of June 30, 2014. Again South Australia has the highest rates of customers repaying debt across NECF jurisdictions though Tasmania has the highest levels of average debt for customers on electricity retailer hardship programs. We regard the figure of 6% of electricity customers repaying debt as being far too high in a modern, wealthy country.

**Figure 2.2: Residential electricity customers repaying debt and average debt – as at 30 June**

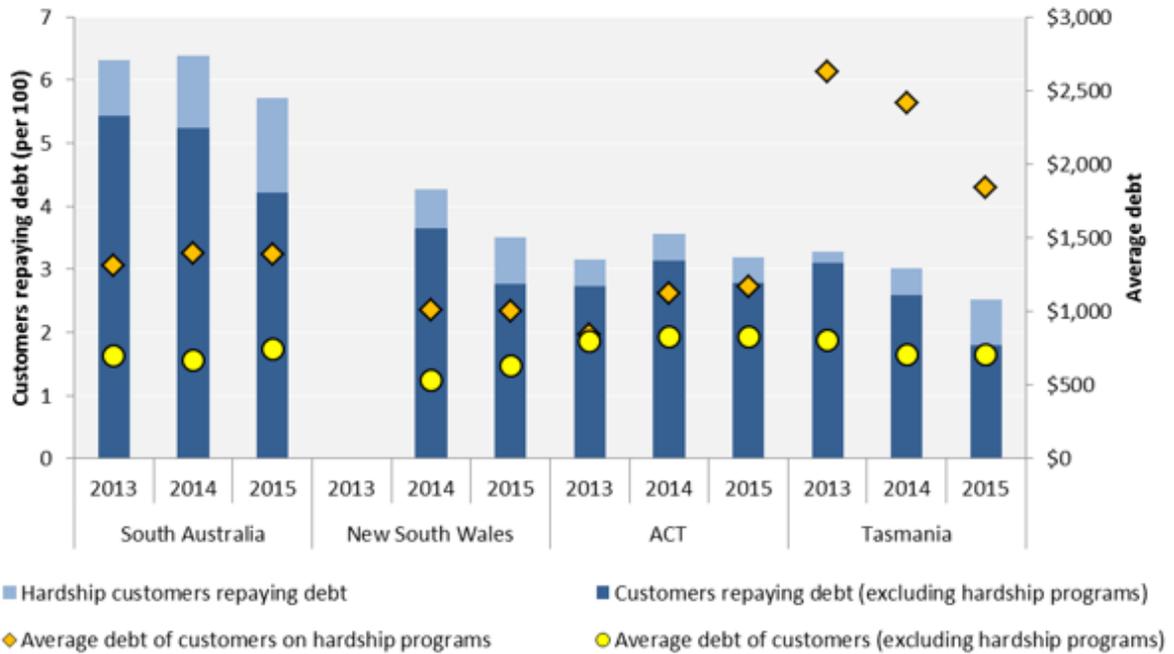


Figure 4. Source AER, 2014–15 ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

Figure 5 shows that South Australia has the highest rate of electricity customers on hardship programs.

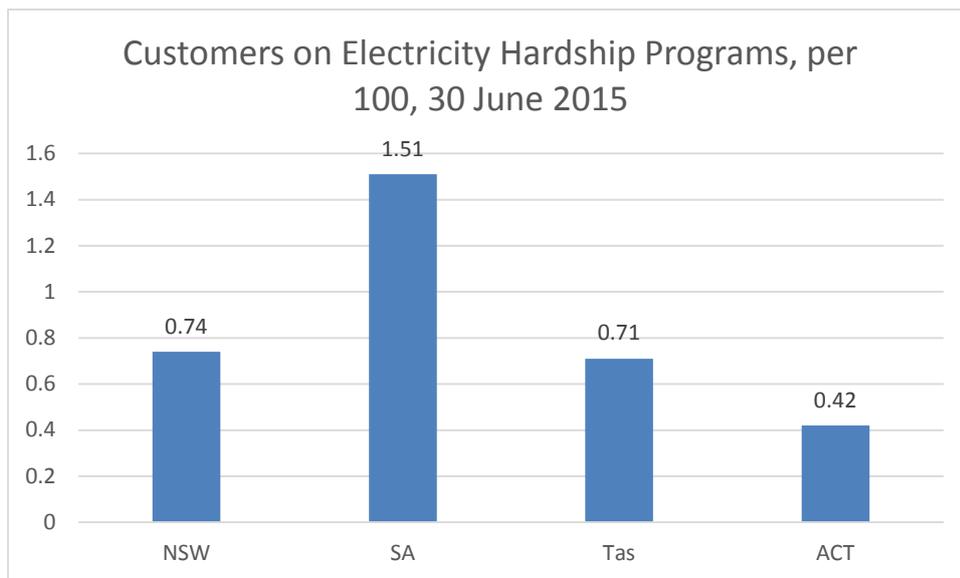


Figure 5. Source AER, 2014–15 ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

This data is indicative of a continuing problem with energy affordability in SA.

### Who is the Energy Supplier?

When NERL/NECF was established, there was general agreement that the retailer was responsible for energy supply, electricity or gas, to a consumer, household or small business. There was then a direct relationship between customer and retailer. This situation no longer applies, as there are a growing number of third party providers now emerging, mainly on the back of new technologies. Third parties can be solar and or battery providers, energy managements systems, metering service providers, electric vehicle suppliers etc. Currently most third party energy providers are outside the direct application of the NERL/NECF. This puts end consumers at considerable risk so the future scope of the NERL is very important. We assert that any business that can impact the supply of energy to s customer, directly or indirectly, should be bound to the NERL/NECF retailer provisions, in the best interests of customers.

### Unfinished Business

The place of and protections for consumers in national energy markets remains ‘unfinished business,’ with different views remaining about the meaning, in practice of the long term interest of consumers and how best to protect all consumers, particularly those most vulnerable.

### Further Comment

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