



18 November 2010

By email: pjs@auseng.com.au

Mr Peter Seebacher
REMForum

Dear Mr Seebacher

Guidelines for REMforum Industry White Paper Survey

Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the Residential Energy Management (**REM**) Forum's Industry White Paper Survey (the **Survey**).

About Consumer Action

Consumer Action is an independent, not-for-profit, campaign-focused casework and policy organisation. Consumer Action provides free legal advice and representation to vulnerable and disadvantaged consumers across Victoria, and is the largest specialist consumer legal practice in Australia. Consumer Action is also a nationally-recognised and influential policy and research body, pursuing a law reform agenda across a range of important consumer issues at a governmental level, in the media, and in the community directly.

Comments on Guidelines for REMforum Industry White Paper

Energy is an essential service and a basic necessity. It supports fundamental human needs including safe food (storage, preparation) and safe shelter (hygiene, lighting, temperature control). It also supports equipment that is critical to wellbeing and independence (health, communication). Beyond these fundamentals, energy supports community engagement and family life (social interactions, employment, education).

Except in some rare cases, a regular connection to networked energy supply is not discretionary or optional. In most instances there is no alternative. A reliable, safe, affordable supply of energy is a right rather than a privilege and access must be guaranteed as far as reasonably possible.

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As prices rise, an increasing number of consumers will experience reduced energy affordability and access to this essential service may be severely compromised.

In assessing the future of the market place in 10 years, we believe consumers will face significantly higher energy prices due to factors such as an increasing demand for investment in network infrastructure (both maintenance and expansion), renewable energies, carbon price, parity with international markets and smart grid technology.

This is of concern as significant energy affordability issues are already apparent in the consumer, financial counselling and emergency relief sectors. Consumers are facing cost pressures across all aspects of their life, including; rent/mortgage, electricity, gas and water. Many consumers on low or fixed incomes, or those who have experienced temporary or long term hardship for various reasons are finding it difficult to keep up with rising costs, and are subsequently falling into increasing levels of debt.

While not wishing to stifle market innovation in relation to REM it is crucial that new developments do not jeopardise consumers' access to the supply of an essential service. Examples of some areas of concern are listed below.

Affordability

With network costs contributing to significant price rises for consumers, it is essential government and regulators focus upon an approach to price determinations or pass through events that ensures the costs of networks and infrastructure developments are as efficient as possible. As energy prices will increase for a number of reasons, regulatory instruments must be enhanced to minimise increases to the network component of consumers' energy bills. It is crucial that consumers do not pay for unnecessary infrastructure and to ensure that the benefits from expected network design efficiencies are passed through to consumers.

Rural and remote Australia

Consumers in rural and remote Australia are currently experiencing a very different energy market to Australians who live in urban areas. Reliability standards vary, levels of competition vary and access to services varies. As the energy market in Australia develops over the next 10 years it is essential that these communities are not left behind. Particular focus needs to be on how REM, within the market context described, can work for rural and remote regions of Australia.

Complexity

All consumers need to access electricity and gas services under fair and reasonable conditions. This means we must have regard to the nature of energy as an essential service and the power and information disparity between the energy industry (including an expanded definition of this in terms of demand aggregators etc) and small customers.

The energy market, particularly in Victoria, is becoming increasingly complex for consumers. Contestability and privatisation, de-regulation, smart meters, door to door marketing, time of use pricing, solar panels, feed in tariffs, are all recent changes that have impacted on the way in which consumers interact with and experience the energy market. It has become apparent that the information that consumers rely on for fair and informed participation in the market needs to be reliable, clear and easy to understand. The information provided to consumers must enable them to provide their 'explicit informed consent' when agreeing to new or additional energy services and is essential for the successful operation of the market.

Response to REMforum Industry White Paper Survey

- *Designing market structures^[4], supported by appropriate technologies and delivery systems, which enable consumers to make effective choices and investment decisions in their homes is important for the REM industry. What should these market structures contribute to the REM industry and how would we recommend governments or industry go about achieving them?^[5]*

Market structures that enable consumers to make effective choices and investment decisions in their homes need to ensure that consumers are fully informed of market developments and have a clear understanding of how they use energy and the relationship between consumption pattern/level and what they pay. Consumer education campaigns will be essential for the success of the REM industry, with a focus on developing consistent and easy to understand baseline messaging that ensures consumers are receiving clear and simple information that will enable them to actively participate in the market and interact with REM in an informed manner. As above, there is potential for significant complexity and consumer confusion with the introduction of a range of new market participants and energy services and products in the market.

The REM industry, the broader energy industry and government will need to work collaboratively with consumer representatives and other stakeholders to develop an education strategy that reaches all consumers and provides information in a meaningful manner.

In particular, a clear link between energy consumption (and energy savings), to consumer household bills needs to be made. Changes to market design and individual household energy management will have an affect on consumer bills and will vary significantly from today's bills and interaction with energy. Additional information in relation to how consumers will realise the benefits from the REM industry, such as how any network savings from deferred augmentation, business

^[4] Market structures might include forms of Energy Efficiency Obligations including White Certificates, taxation incentives and rebates.

^[5] This may include consideration of:

- Who will be the key players/drivers of the REM industry?
- If a new sector should evolve - service aggregator or similar - what will it look like and how/should it be regulated?
- How will the roles of current players vary
- Utilities (including retailers, distributors and transmission businesses)

efficiencies etc, will be passed through to consumers, and a timeframe around these would also be valuable.

- *Establishing a national framework of standards, legal/regulatory systems and consumer education (this will require a concerted cross-Departmental approach) is important for the REM industry. What would these contribute to the REM industry and how would we recommend governments or industry go about achieving them?*

Consumer education comments are as above.

Any policy decisions in relation to REM that affect consumers will need to be made before any significant changes are made to the way consumers currently interact with the market. Lag on policy prevents some messages getting out to the community before market changes occur, resulting in consumer confusion and often times fear, for example the current Victorian rollout of smart meters and the ongoing class actions in USA by uninformed consumers based on hasty roll outs of smart meters.

Both of these issues are the direct result of market changes without consecutive and prior consumer education.

- *Making a clear and compelling business case of the savings to be achieved at the national and residential level) is important for the REM industry. What would a clear and compelling business contribute to the REM industry and how would we recommend governments or industry go about achieving it?*

Consumer benefits and savings based upon actual financial benefits and how they are returned to consumers should form any part of the business case the REM industry develops, including expected time frames.

Should you have any questions in relation to this feedback please contact me on 03 9670 5088.

Yours sincerely

CONSUMER ACTION LAW CENTRE



Janine Rayner
Senior Policy Officer