



ON THE WIRE



September 2006, edition 9.

Welcome to the re-launched *On the Wire*, the newsletter of the NEM Network. *On the Wire* was originally launched in February 2004 as part of the [Consumer Law Centre Victoria's \(CLCV\)](#) NEM Capacity Building Project (the **NEM Project**). The NEM Project established a national network of community agencies (including consumer, welfare and environment agencies) in order to strengthen their capacity to participate more effectively in the NEM.

New editions of *On the Wire* will again provide updates on NEM regulatory developments, as well as providing information about the work being undertaken by key community organisations in relation to the NEM. These organisations meet regularly at the National Consumers Roundtable on Energy, a forum also co-ordinated by the NEM Project. A report on the most recent Roundtable can be found in this edition of *On the Wire*.

We welcome feedback on the information provided in *On the Wire*, as well as its design and layout. Further, we encourage you to forward the newsletter throughout your networks. To subscribe to *On the Wire*, please email info@clcv.net.au with "On the Wire" in the subject line. The next edition of *On the Wire* is scheduled for release in October. Past and the current edition of *On the Wire* can also be found [here](#).

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1. Regulatory developments

1.1 Effective competition criteria

In July 2006, the Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO) released a consultation paper [Phase Out of Retail Price Regulation for Electricity and Gas - Draft Effective Competition Criteria](#).

On 7 June 2006, the MCE announced a number of amendments to the [Australian Energy Market Agreement \(AEMA\)](#), including a process for providing advice to jurisdictions on the effectiveness of competition in retail energy markets. The [Australian Energy Market Commission \(AEMC\)](#) has been nominated as the body to undertake the assessment on the effectiveness of competition in all States and Territories other than Western Australia (WA), where the [Economic Regulation Authority \(ERA\)](#) will undertake the assessments.

The AEMC/ERA assessments will be significant for small end-users. Many consumer groups consider retail price protection, in conjunction with basic contractual terms of supply and consumer protections, to be fundamental to enable the most vulnerable and disadvantaged consumers to maintain access to an energy supply. While it will be ultimately for the jurisdictions to make the decision to phase out retail price regulation, the AEMC/ERA assessments will be an integral part of that decision-making process.

Clause 14.11(c)(i) of the AEMA specifies that assessments are to be conducted against criteria to be developed by the MCE in consultation with the AEMC/ERA and other interested parties. Once agreed by the MCE, the criteria will form the basis of future AEMC/ERA assessments into the effectiveness of competition in jurisdictional retail energy markets.

Despite the MCE consultative process, it seems that the AEMC will develop and elaborate on the effective competition criteria and its assessment approach through AEMC guidelines in consultation with stakeholders.

A number of NEM Network members made submissions to the consultation paper, which can be accessed from following the links:

- [CLCV and Consumer Utilities Advocacy Centre](#);
- [Total Environment Centre](#);
- [Centre for Consumer and Credit Law, Griffith University](#);
- [ACT Council of Social Service](#); and
- [Public Interest Advocacy Centre](#).

1.2 Energy reform implementation group (ERIG)

On 10 February 2006, the [Council of Australian Governments \(COAG\)](#) agreed to establish [ERIG](#), asking it to report back by the end of 2006 with detailed implementation arrangements for further reforms to the Australian energy market in the following areas:

- Electricity Transmission: achieving a fully national transmission grid including the most suitable governance and transitional arrangements, having regard to

COAG's objective of achieving a truly national approach to the future development of the electricity grid, the legitimate commercial interests of asset owners, and the need to promote investment that supports the efficient provision of transmission services;

- Electricity Market Structures: any measures that may be necessary to address the structural issues affecting the ongoing competitiveness and efficiency of the electricity sector;
- Energy Financial Markets: any measures that may be necessary to ensure there are transparent and effective financial markets to support energy markets.

A Stakeholder Reference Group has been established for each of these areas, with each Group chaired by a ERIG Panel member. The ERIG Panel was established in June 2006 and is chaired by Mr Bill Scales AO, with panel members Geoff Carmody (Market Structures), David Swift (Transmission) and Alan Rattray (Financial Markets). The relevant COAG communiqué can be found [here](#).

In July, ERIG released an [Issues Paper](#) and called for submissions. ERIG states that it will make recommendations to COAG based on evidence provided in submissions and through its own investigations. A number of participants of the Roundtable made submissions, including (click link to see submission):

- [Consumer Law Centre Victoria](#);
- [Public Interest Advocacy Centre](#);
- Centre for Consumer and Credit Law, Griffith University;
- [Total Environment Centre](#).

A number of Roundtable participants were also appointed to the Stakeholder Reference Groups, with Elissa Freeman from PIAC (with Gerard Brody from CLCV as alternate) appointed to the Market Structures Group and Mark Henley from UnitingCare Wesley Adelaide appointed to the Transmission Group. PIAC has also organised a telephone link-up with members of ERIG, focusing on the Market Structures Group, giving an opportunity for Roundtable participants to speak directly to ERIG.

Consumer advocates have raised concerns that ERIG are considering matters relating to retail policy as barriers to competition, areas that are not within ERIG's terms of reference. There are also some concerns that ERIG is not undertaking its work in a fair, transparent and independent fashion, with the bulk of consultation being undertaken with industry. This feedback has been given to ERIG, together with documentary evidence about the consumer experience in the energy market, and it is hoped that ERIG will now contribute to the ongoing development of Australia's energy market with a primary focus on consumer benefit.

ERIG will release a draft report for further consultation in October.

1.3 Advocacy Panel

There has been a lot of change afoot with the [Advocacy Panel](#). In December 2005, the MCE released its [decision](#) about the long term consumer advocacy arrangements for both electricity and gas. This decision, which proposes a new Advocacy Panel to allocate funding for the purposes of energy consumer end-user advocacy, stated that

there was to be a particular focus on small to medium consumers. Despite this decision, due to a [delay](#) in the 2006 legislative package, the long-term arrangements for end-user advocacy have also been delayed, with a possible start date of 1 July 2007. As such, the Advocacy Panel will continue to carry out its role under the existing Rules, until the Rules are amended or replaced.

The terms of current Advocacy Panel members expire at the end of September 2006. The AEMC has called for [expressions of interest](#) for new Advocacy Panel members, including the position of chairperson, to be appointed by 1 October 2006. New members are to be appointed in accordance with the [National Electricity Amendment \(Advocacy Panel\) Rule 2006 No. 8](#), which was made earlier this year. This decision states that Panel Members are to be appointed for 3 year terms and are to be independent of the AEMC, the Australian Energy Regulator (**AER**), the National Electricity Market Management Company (**NEMMCO**) and all Registered Participants (previously Advocacy Panel members represented different market segments).

The AEMC has also released [Draft Guidelines for the Appointment of Members of the Advocacy Panel](#). Submissions on the draft appointment guidelines must be received by 20 October 2006. Despite the guidelines being in draft, it appears that the new appointments will be made in accordance with the draft guidelines, before they are finalised. The first meeting of the new Advocacy Panel is to be in October, with submissions for consideration at that meeting due by 22 October.

Roundtable participants are keenly following developments with the Advocacy Panel. For more information, please contact Gerard Brody at CLCV at gerard@clcv.net.au.

1.4 MCE releases

The MCE has released two Energy Market Reform Bulletins in August.

[Bulletin 68](#) provides information about the release of the [MCE Statement of Scope on a National Legislative Framework for Electricity and Gas](#). The Statement of Scope has been prepared by the SCO, to assist stakeholders by outlining details of future national legislative arrangements for gas and electricity markets and clarifying the scope of the proposed legislative packages to progress the MCE Energy Market Reform Agenda. The Statement of Scope raises the following of interest to small end-users:

- Distribution and retail transfer to the AER – the Tasmanian electricity distribution determination review and the Victorian gas distribution access arrangement review will continue to be assessed by the relevant jurisdictional regulators, while the NSW and ACT electricity distribution determinations will be undertaken by the AER.
- The MCE's response to recommendations of the [Expert Panel](#) which advised on a model to achieve a common approach to transmission and distribution revenue and network pricing across electricity and gas will be included as part of the draft legislative package, and be open for consultation. Two particular recommendations have been accepted by the MCE; the first being the market-power based 'form of regulation criteria'. These criteria will guide decisions about whether particular services provided by a network service provider should be subject to some type of upfront price control, a negotiate/arbitrate

framework or no regulation. The second recommendation accepted by the MCE is that consistent pricing principles should be applied to both gas and electricity in the National Electricity Law (**NEL**) and the National Gas Law (**NGL**).

- The common objectives of the NEL and the NGL. The AEMC must test rule changes against the objective of the law when making Rules, and the regulator must perform its functions in a manner that will likely contribute to achieving the objective of the law.

[Bulletin 69](#) outlines a revised timeline for the 2006 legislative package, delaying the introduction and proposed starting date of the legislation. Due to slippages in the work loads of the MCE, it now anticipates that the exposure drafts will not be available until later this year. The new laws are now not expected to come into force until 1 July 2007. Additionally, the nature of the gas legislation changes necessitates new application acts to be passed in each jurisdiction. The delays also mean that application for certification of the electricity access regime in all National Electricity Market participant jurisdictions will be deferred until mid 2007.

As outlined above, the 2006 legislative package will include the provisions to enable the transfer of economic regulation of transmission and distribution in the electricity and gas sectors to the new national governance arrangements. The MCE will release an exposure draft of the legislative package for public consultation. Six weeks is planned to be allowed for public consultation on the draft legislation.

1.5 AEMC update

On 24 August 2006, the [Australian Energy Market Commission](#) (the **AEMC**) published a [Rule Propose Report](#) on the Proposed National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 and a [Draft Pricing Rule](#).

The release complements the second [Draft Revenue Rule](#) and associated [Draft Determination](#) (the Draft Rule National Electricity Amendment (Economic Regulation of Transmission Services) Rule 2006), released on 26 July 2006, in defining the regulatory framework to apply to transmission revenue and pricing in the National Electricity Market from 1 January 2007.

A number of Roundtable participants contributed to the review of electricity transmission revenue and pricing rules, raising issues relating to the appropriateness of propose-respond model for regulation, information requirements of transmission businesses (the AER being unable to publish business information without that business's consent), the return on capital including debt rating and demand management.

The AEMC is undertaking further consultation on the draft rules. Submissions on the Draft Revenue Rule are due on 11 September, and submissions on the Draft Pricing Rule are due on 25 September.

1.6 AER update

The [Australian Energy Regulator](#) (the **AER**) has announced it will delay its decision on the scope and timing for consultation on its regulatory guidelines for distribution in order to accommodate likely policy developments.

On 15 March 2006, the AER issued a document entitled [Gas and Electricity Distribution Regulatory Guidelines - Scoping Paper](#) which proposed the development of regulatory guidelines to assist stakeholders in understanding the AER's approach to distribution regulation, for which it was originally scheduled to gain responsibility from 1 January 2007. This has now been delayed until 1 July 2007. The Scoping Paper indicated that the AER would issue a decision in June 2006 on its approach to the development of the guidelines.

In view of expected developments that may substantially affect the AER's approach, particularly the release of the AEMC's [Draft Determination on chapter 6 of the National Electricity Rules](#) and exposure drafts of national energy legislation, the AER has decided to postpone its decision.

The AER will accept further submissions in light of this delay. A list of submission can be accessed [here](#), and includes submissions from Roundtable participants.

The AER has made available on its website a list of [common terms and acronyms](#) used in the energy industry. People with an interest in energy market reform may find this useful.

2. Network Member updates

2.1 Report from the National Consumers Roundtable on Energy

The 3rd National Consumers Roundtable on Energy (the **Roundtable**) was held in Melbourne on 8 and 9 of August. Representatives from organisations from across the National Electricity Market met to continue to develop collaborative advocacy strategies to ensure the interests of small consumers are heard in national energy market reform.

The Roundtable was convened by CUAC and CLCV with funding provided by the National Electricity Consumers Advocacy Panel to meet the costs of the meeting. The 18 participants came from nearly all jurisdictions in Australia (the Northern Territory was the only exception) and comprised nearly all organisations representing residential consumers, particularly low-income and disadvantaged consumers, who have been active advocates in national policy and regulatory decisions.

The Roundtable agenda opened with a presentation by Mr Peter Naughton, Chair of the MCE SCO's Retail Policy Working Group (**RPWG**). Mr Naughton provided an outline of upcoming consultations on the transfer of retail policy to the national level. The RPWG will spend the next six months gathering the views of all stakeholders, and establish a Stakeholder Reference Group to assist in the consultation process. The RPWG will also issue a series of position papers, which will be circulated for stakeholder response. The aim of the consultation process will be to identify areas of stakeholder consensus and difference. The overall work plan of the RPWG will be available in mid-September.

The Roundtable was also addressed by Mr Drew Clarke, from the Commonwealth Department of Industry, Tourism and Resources, who spoke about the Commonwealth's role and priorities in the reform process. Mr Clarke said that the Commonwealth's objectives are the market objectives, and that these can be achieved through:

- competitive retail and generation markets
- efficiently regulated markets in distribution and transmission
- reliable supply, and
- sound investment.

Roundtable participants suggested that 'access' should be added to this list, and that policy makers must make certain that the regulatory framework ensures continued access to supply.

The Roundtable participants also discussed the key current issues for small consumers arising from national reform processes. Discussions focussed on retail and distributions issues and the role of the [Energy Reform Implementation Group \(ERIG\)](#).

2.2 South Australian update (contributed by UnitingCare Wesley Adelaide)

Regulatory Action - Current

The [Essential Service Commission of SA \(ESCoSA\)](#) is currently reviewing the [Electricity Industry Guideline 12 Demand Management for Electricity Distribution Networks \(Guideline 12\)](#).

Guideline 12 was developed by ESCoSA during 2002/03 and was designed to improve the transparency and robustness of ETSA Utilities' regulatory demand management obligations under the National and State regulatory frameworks.

The key elements of Guideline 12 include:

- Annual publication by ETSA Utilities of an Electricity System Development Plan that details the projected limitations on the ETSA Utilities distribution system for at least the next 3 years; and
- Issuing of Request for Proposals documents for specific projected network limitations, inviting proposals for suitable alternative non-distribution system solutions to overcome the projected network limitations.

The discussion paper on the review can be accessed [here](#).

Regulatory Issues - Recent

- ESCoSA has released its [Draft Inquiry Report](#) in relation to the heatwave that occurred between 19-22 January 2006, specifically its inquiry into ETSA Utilities Network Performance and Customer Responses.

- On 30 June, ESCoSA released its [Final Decision](#) on the revisions proposed by Envestra Ltd to the Access Arrangement for its gas distribution system in South Australia for the period to 30 June 2011.
- ESCoSA has issued a gas retail licence to [Santos Direct Pty Ltd](#), authorising the retailing of gas to customers in South Australia. Santos becomes the 6th gas retailer licensed to operate in SA.

The review of [ETSA Utilites](#) (SA distributor) performance during a hot spell in January this year warrants a little more attention, given that the distributor was castigated in the media and the situation became politically charged.

ESCoSA reported:

“The Commission has found that some 96,000 customers experienced electricity supply outages at some time during the period 19 to 22 January. Approximately 84,000 of those customers were affected by high voltage network outages, with 94% restored within 3 hours and an average restoration time of 90 minutes. The remaining customers were affected by low voltage network outages, with 46% restored within 3 hours and an average restoration time of 7 hours.

For customers who were affected by outages on the low voltage network, 564 were without electricity for more than 24 hours, with 1,937 without electricity for more than 12 hours but less than 24 hours.”

Excerpts from ESCoSA's conclusions included:

- Measures taken by ETSA Utilities to prepare the distribution network for extreme weather events are considered to be generally appropriate.
- ETSA Utilities' integration of weather forecast information into its planning and operational processes prior to and during the heatwave was poor.
- ETSA Utilities should balance the need to restore supply to the greatest number of customers with the need to focus on the longest outages by implementing a more centralised and co-ordinated management approach to the oversight of outage restoration.
- The call centre operated by ETSA Utilities did not perform well during the heatwave as a result of the information management problems within ETSA Utilities.

Services for Disadvantaged Consumers

- A review of Hardship arrangements in SA is currently underway with a working group of Government, Retailers and Community Service Providers preparing recommendations for improvements.
- There is continuing concern about the future of the [Energy Friends](#), a program that has provided energy audits and energy use advice to low income households. The program has had a funding extension to November 2006, but with a 'tough' State budget looming and uncertainty about which government Department should fund and manage the program, there is anxiety about the programs future.

For further information on the SA scene, contact Mark Heley at Mark.Henley@ucwesleyadelaide.org.au.

2.3 Western Australian update (contributed by WACOSS)

The [Western Australian Council of Social Service \(WACOSS\)](#) is the peak body of the non-government human service sector across Western Australia and its [Consumer Utilities Project](#) provides a respected voice for consumers with regard to energy and water market reform in Western Australia.

The Consumer Utilities Project was established to work with consumers and representative organisations to achieve better outcomes in the provision of essential services. In order to improve outcomes for consumers, it is imperative to be able to access information and data which monitors the performance of utilities.

Western Australia is an anomaly across Australia, in that there seems to be very little information as to how utilities are performing in regards to the protection of consumers and their ability to access an affordable essential service. While some data is reported through the new [Energy Ombudsman](#), there are no public reports on the monitoring of utilities outside of the industry-based dispute resolution scheme.

There is a vacuum of data about household energy consumption, the proportion of household income spent on utilities, customer service and complaints, the number of consumers in financial hardship and on payment plans, statistics on connections, disconnections and reconnections, and many other energy related issues vital to research and policy work.

The [Western Australian Code of Conduct for the supply of electricity to small use customers](#) (the **Code**), has required since 1 January 2005, that utilities record and make available to the [Economic Regulation Authority](#) (the **Regulator**) a list of such information. Unfortunately, to date there has still not been any reporting made, or request for it from the Regulator.

The Regulator is currently undertaking public consultation on its [Draft Electricity Compliance Reporting Manual](#), which outlines their proposed compliance reporting terms and conditions and the proposed Electricity Compliance Reporting Template. The Manual does not include a requirement to report the records maintained under the Code.

WACOSS understands that the Regulator intends such information to be made available through the National Retail Reporting Indicators, but it is unclear as yet as to what role the state retailers and Regulator will play in making that information accessible for consumers and customer representatives in WA.

The WACOSS response to the Draft Electricity Compliance Reporting Manual will reiterate our position that access to timely, comprehensive data is vital in the policy and advocacy work we do to promote and safeguard the interests of consumers.

For more information about the work of WACOSS on energy matters, please contact Rebekah Garwood at rebekah@wacoss.org.au.

2.4 Queensland update (contributed by the Centre for Credit and Consumer Law)

The [Centre for Credit and Consumer Law, Griffith University \(CCCL\)](#) is responding to the introduction of Full Retail Competition (FRC) on the 1st of July 2007 in South East Queensland with the help of Advocacy Panel funding and the input of the Queensland Consumers Association. The [Energy Competition Committee](#), charged with implementing FRC in Queensland, recently released a number of draft codes, contracts, legislation and regulations for comment that CCCL are responding to. The provision of an essential service needs to be balanced against the benefits of opening up the retail energy market for residential consumers. Based on interstate experience the results are mixed particularly for low income and vulnerable customers.

The Queensland Government is also in the process of selling off its retail energy arms and this sell-off plus a very tight implementation timeline make responding to the introduction of FRC a challenging process. A recent [FRC Seminar](#) organised by the Centre and attended by a range of consumer groups identified three key issues:

- Hardship and disconnection issues;
- Advocacy and consultation resources; and
- Consumer Education

For more information on the changes click [here](#) and for our recent [seminar presentations](#) and [FRC Issues](#) paper go to www.griffith.edu.au/centre/cccl/. Alternatively, contact Tenzin Jane Bathgate at CCCL at tenzin.bathgate@griffith.edu.au.

2.5 Victorian update (contributed by the Consumer Law Centre Victoria)

Hardship legislation

On 31 August 2006, the Victorian Parliament passed the [Energy Legislation \(Hardship, Metering and Other Matters\) Act 2006](#). This legislation was the result of the Victorian Committee of Inquiry into Energy Hardship which reported to Government in December 2005. The new legislation requires energy retailers to have hardship policies that are approved by the Minister for Energy and the [Essential Services Commission of Victoria](#). Hardship policies must include:

- flexible payment options for payment of energy bills
- provision for the auditing of a domestic customer's energy usage (whether wholly or partly at the expense of the retailer)
- flexible options for the purchase or supply of replacement electrical equipment, and
- processes for the early response by both retailers and domestic customers to electricity bill payment difficulties.

The legislation also requires that consumers must be shielded from disconnection for non-payment where they are part of an approved hardship program.

Early Termination Fee compliance review

On 30 July 2006, the [Essential Services Commission of Victoria](#) (the **ESC**) released its [Draft Decision](#) in its [Early Termination Fees Compliance Review](#).

The [Energy Retail Code](#) allows retailers to impose an Early Termination Fee if a customer terminates their market contract prior to the completion of its term. In any market it is common in contracts for companies to provide for a pre-estimated liquidated sum to be charged in the event of early termination by a customer. The Energy Retail Code contains an additional requirement that the Early Termination Fee must be a "fair and reasonable pre-estimate of the damage the retailer will incur" as a result of the termination. The Compliance Reviews investigates the extent of compliance of retailers with the requirements of the Code in relation to Early Termination Fees.

The Draft Decision concludes that the fee charged to any customer should not be greater than 2 per cent for electricity or 2.5 per cent for gas of the annual bill of the customer for the remaining period of the contract. The [Consumer Law Centre Victoria's \(CLCV\) submission](#) to the Draft Decision suggested that this should mean that the ESC should ensure that fixed term contracts with termination fees be amended to reduce termination fees to these benchmark levels.

CLCV also included case studies which demonstrate problems with consumers providing explicit informed consent when entering into market contracts. CLCV argues that where a consumer has not been explicit informed consent, there should be no scope for exit fees upon the early termination of such a contract. The CLCV submission was supported by a [Consumer Utilities Advocacy Centre](#) Executive Officer grant.

Small-scale licensing

The ESC is conducting a [review of the exemption framework for the distribution and retailing of energy on a small scale](#). This concerns the supply and sale of energy to consumers who share a defined geographic boundary such as residential apartments, shopping centres, retirement villages and caravan parks.

Under the *Electricity Industry Act 2000* and the *Gas Industry Act 2001*, distributors and retailers of electricity or gas must hold a licence unless they are exempt from this requirement. For electricity distribution and retailing, general exemptions are specified in an Order-in-Council which came into effect on 1 May 2002. An entity may also obtain a specific exemption from the Governor-in-Council.

On 20 July 2006, the ESC released an [Issues Paper](#) that seeks comment from stakeholders on the current licensing exemptions framework and what regulatory framework should apply to small scale energy distribution and retailing. Submissions to the Issues Paper can be accessed [here](#). CLCV provided a [submission](#) which argued that residential consumers in embedded networks (such as retirement village and caravan park residents), should be accorded the same consumer and price protections that are provided to consumers of licensed retailers. This should include access to dispute resolution through the [Energy and Water Ombudsman Victoria](#) (EWOV).

Submissions were also provided by the [Tenants' Union of Victoria \(TUV\)](#) and the [Alternative Technology Association \(ATA\)](#) and are available on the ESC's website.

Other Current ESC matters

- On 1 September 2006, the ESC released its [Draft Inquiry Report](#) on the performance of electricity distributors' call centres during wide scale emergency situations as part of an investigation [requested](#) by the Minister for Energy Industries.
- The ESC has begun consultations on its [Gas Access Arrangement Review 2008-2012](#). On 31 May 2006, the ESC released a [Consultation Paper No 1](#) which is a preliminary paper designed to facilitate consideration of the issues that are likely to be significant in the formal stages of the Review.

For further information about Victorian energy issues, please contact Gerard Brody at gerard@clcv.net.au.

2.6 NSW update (contributed by the Public Interests Advocacy Centre)

NSW households are facing further rises in prices for electricity with the regulator having kicked off a [review of regulated tariffs for the period 2007-2010](#). The current regulatory period has seen some consumers facing price hikes of 20%-30%. The [Public Interest Advocacy Centre \(PIAC\)](#) fears these new changes in regulated prices easily could add another 10%-20% to that within the next two years.

Normally the regulator is required to consider the social impact of its decisions. However, this review is being conducted under the State's *Electricity Supply Act* – meaning this obligation does not apply. The terms of reference published by the Minister for Energy omitted the reference to 'impact on consumers' we have relied on in past reviews. As a result the regulator has declared its intent to ignore the impact of price increases in reaching its decision.

PIAC and other groups have written to the Minister calling for him to require the regulator to consider social outcomes. At the time of writing it remains unclear whether these calls will be heeded. Interestingly, the regulator is not due to issue their draft decisions until just after next year's State election.

A number of factors are likely to contribute to further increases in the cost of electricity for NSW consumers. One of these is the possible introduction to NSW prices of retail headroom - based on the claim that new entrant retailers face higher costs than incumbents. More broadly, the Government has decreed that regulated tariffs must not be below the level of full cost recovery. In some cases this will mean very steep price rises. However, neither the Government nor the regulator seem eager to address those tariffs which are over-charging residential consumers.

This approach is designed to clear the way for more competition in the NSW retail energy market. While the AEMC has been charged with reviewing the effectiveness of competition in each jurisdiction NSW already has committed itself to removing all price protections by 2010. So it seems likely that from next year consumers will get higher prices to promote more competition to allow lower prices. Makes perfect sense.

Other factors which will contribute to significant price rises are related to wholesale energy costs. The NSW Government has decided to phase out the Energy Tariff Equalisation Fund (**ETEF**), a scheme which allows retailers and generators to hedge against the risk of volatility. The most immediate effect of this will be to force up prices for western Sydney faster than the rate of increase in the inner city and the wealthier eastern suburbs. This is because of consequential changes in the way customer load profiles are calculated under the new framework.

Most readers of *On The Wire* will already be aware of developments in the national market aimed at ensuring continued investment in generation. These generally have focused on higher prices for end-users. Given that the regulated tariffs in NSW already include an allowance for 'long run marginal cost' of generation it is expected the regulator will find it quite easy to add a further premium to the regulated tariffs to meet the alleged imperative for private investment in generation.

For more information about NSW energy issues, please contact Jim Wellsmore at jim@piac.asn.au.

2.7 Tasmanian update (contributed by the Tasmanian Council of Social Service)

The [Tasmanian Council of Social Service \(TasCOSS\)](#) has released its [report on research on the experiences of Tasmanian pre-payment meter customers](#).

Tasmania, with over 38,000 pre-payment meter (**PPM**) customers, offers a unique 'window' into the benefits and traps confronting consumers, and the policy issues facing governments as they consider the adoption of this technology. The research, conducted by Urbis Keys Young, provides a valuable information base, with 1500 consumers responding with information on their reasons for using PPMs, the information they had access to, their assessment of the relative costs associated with PPMs, and their understandings of the various government concessions that apply.

The research provided confirmation of TasCOSS concerns about 'hidden' disconnections among low-income consumers, and about a generally low level of information held by those consumers. The report includes a series of recommendations directed at the retailer ([Aurora Energy](#)), the [Tasmanian Energy Regulator](#) and the Tasmanian Government. The research was made possible by funding from the National Consumers Electricity Advocacy Panel, the [Tasmanian Department of Infrastructure, Energy and Resources](#), plus in-kind support from Aurora Energy.

The report can be downloaded from the TasCOSS site – www.tascoss.org.au – and queries about the research should be directed to David Owen on 03 6231 0755 or at david@tascoss.org.au.

3. Other updates

3.1 Charter of principles for energy supply to small users

At recent Roundtables, participants agreed to develop a Charter of Principles for energy supply to small users. The energy reform processes that have occurred in recent years have created new electricity and gas markets and have reshaped these

industries, especially their relationships with governments and consumers. Despite the reforms, energy is still an essential domestic service and is fundamental to human needs. Considering this, Roundtable participants feel it is useful to clearly and concisely state principles by which they believe energy should be supplied. Broadly, the principles are that energy supply should be:

- accessible
- affordable
- appropriate
- accountable, and
- sustainable.

The Charter will be finalised by Roundtable participants in the coming months. A future edition of *On the Wire* will provide more information about the Charter.