

Appendix 7

Understanding the evidence base: consumer research on retail market issues

The following table outlines the research conducted through the Energy Consumers Australia Grants Program of relevance for the Inquiry. It provides a high-level indication of the research objectives and findings (wherever possible using the words of the grant recipient), and a link to the research report.

QUESTIONS FOR COMMENT	RESEARCH REPORT AND KEY FINDINGS
ISSUE 1 – PRICES, COSTS AND PROFITS	
1. Retail cost drivers	<p>St Vincent de Paul Society VIC <i>Tariff-Tracking and Price Analysis in NSW, QLD, SA, ACT and TAS post price resets in July 2016</i> (2016)</p> <ul style="list-style-type: none"> Vinnies has been tracking changes to residential energy tariffs and reporting on household impacts since 2010. It has developed four workbooks for each jurisdiction, as well as a report analysing price movements and impact. <p>URL https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/</p>
2. Factors impacting on future prices	<p>South Australian Council of Social Service <i>Looking around the corner: discussion on current SA power system risks</i> (Feb 2016)</p> <ul style="list-style-type: none"> As assessment of the likely impact of wholesale market prices, and imminent closure of SA power stations on residential prices. <p>URL http://energyconsumersaustralia.worldsecuresystems.com/grant-archive/723-sa-energy-pricing-themes-nem</p>
ISSUE 2 – MARKET STRUCTURE AND NATURE OF COMPETITION	
3. Level of competition in the NEM	<p>Consumer Action Law Centre <i>Power Transformed: understanding consumer decision making in the complex and transforming energy market</i> (2016)</p> <ul style="list-style-type: none"> Consumer Action worked with a Reference Group, comprising leaders from across the energy sector, to explore the implications for consumers of a transforming energy market. They considered responses

that could build better consumer outcomes and build consumers' trust in the market. Consumer Action identified potential detriment for consumers in the new energy market, identifying three principles to guide further market reform and innovation. They are: 1) it should be easy for people to engage to make effective decisions; 2) appropriate consumer protections are applied to all energy products and services; and 3) the benefits of the transforming energy market should be shared across the whole community.

URL <http://energyconsumersaustralia.worldsecuresystems.com/grant-archive/758-power-transformed>

Financial and Consumer Rights Council *Rank the Energy Retailer* (2016)

- FCRC surveyed Victorian financial counsellors to assess the hardship practices of energy retailers in Victoria. Following up from its 2014 survey, the Big 3 retailers' performance had equalised and slightly improved. Second and third retailers performed poorly across the entire set of measures. FCRC found a poor understanding of long-term financial hardship, where retailers' processes and practices do not meet the needs of those consumers.

URL <http://energyconsumersaustralia.worldsecuresystems.com/grant-archive/789-rank-the-energy-retailer-2016>

South Australian Council of Social Service (2016) *Better Solutions for Helping Customers with Financial Difficulties: Energy and Water: A cross-sector approach to supporting vulnerable consumers*

- SACOSS (in partnership with energy retailers and community sector organisations) developed a Better Practice Guideline for Energy Retailers, a collaborative approach to preventing hardship amongst energy consumers. This Guideline seeks to assist energy retailers in developing and implementing hardship policies and business practices that work towards minimising consumer financial stress. The Guideline contains five better practice principles highlighting the priority issues experienced by vulnerable consumers and also provides retailers with mechanisms to implement and maintain the better practice principles and measures. This report provides five case studies that illustrate better practice in customer financial stress management.

URL

https://www.sacoss.org.au/sites/default/files/public/Best_Practice_Case_Studies_CLIENT%20%282%29.pdf

ISSUE 3 – CUSTOMERS AND THEIR INTERACTION WITH THE MARKET

4. Impediments to choice, and differences between customer types and NEM areas

RMIT Centre for Urban Research *Smart home control: exploring the potential for enabling technologies in vulnerable and disadvantaged households* (2017)

- This is a first stage report provides a useful overview of the discussion around cost reflective electricity pricing, and a review of current policies and the impacts of extreme heat on vulnerable and disadvantaged households.

URL <http://cur.org.au/cms/wp-content/uploads/2017/01/smart-home-control-briefing-paper-final-compressed.pdf>

CitySmart, Qld University of Technology, Energex, and University of the Sunshine Coast *Understanding the changing needs of residential energy consumers in the information age and the implication for electricity pricing* (2017)

- Through qualitative and quantitative analysis, the researchers have developed a segmentation model that will help policy makers and industry understand the changing needs of today's energy consumers, and to support more effective education and awareness activities to support the implementation of tariff reform. The report will be published shortly.

Queensland Council of Social Service *Choice and Control? The experiences of renters in the energy market* (2017)

- QCOSS found renters face several barriers to participating effectively in the energy market, including: lack of access to information about the energy features of their residence; lack of capacity to control their costs; and lack of access to energy consumer safeguards. Renters are more likely to live in properties with major structural problems and without energy saving improvements such as insulation. They are more likely to encounter non-standard supply arrangements. The intersection between tenancy and energy legislation creates complexity and confusion.

URL <https://www.qcross.org.au/sites/default/files/QCOSS%20Choice%20and%20Control%20-%20the%20experience%20of%20renters%20in%20the%20energy%20market.pdf>

Business SA *Analysis of SAPN tariff reforms in relation to impacts on small business* (2016)

- Business SA surveyed 25 SMEs across 6 economic sectors to assess the impact of the introduction of cost-reflective tariffs proposed in the SA Power Networks' Tariff Structure Statement (TSS). While targeted primarily at inputting to AER decision on SAPN's TSS, the survey underlined SMEs' lack of capacity to respond to demand tariffs, and the subsequent need for targeted and transitional assistance, to avoid consumer detriment.

URL <http://energyconsumersaustralia.worldsecursystems.com/grant-archive/787>

St Vincent de Paul Society VIC *Mapping electricity disconnections in the NEM* (2015)

- Mapped areas in Australia with high disconnections, identifying where – and who – are most at risk of disconnection. Communities with high degrees of social disadvantage are at greatest risk. Assistance to reduce disconnections overall needs to be better targeted to those consumers. The report also noted that smart meters make disconnections easier. Recommendations included that State governments introduced percentage based electricity concessions, energy efficiency standards and education programs; that the Commonwealth consider income security, review its renewable energy policies, and ensure appropriate compensation for those communities ; that regulators should monitor and report on instances of multiple disconnections, review the NECF, and consider a NEM-wide wrongful disconnection payment to provide an incentives to retailers to comply; and that retailers should develop local outreach programs, to assist these communities.

URL <http://energyconsumersaustralia.worldsecursystems.com/grant-archive/712-mapping-electricity-connections-nem>

Chamber of Commerce and Industry Qld *Effectiveness of electricity deregulation on Qld small businesses* (2017)

- CCIQ surveyed its small business members to gauge differences in prices and services offering of retailers pre and post price deregulation. There were a number of difficulties in obtaining data, and many small businesses were unable or unwilling to provide the necessary information, underlining the limited capacity of that class of consumers to engage on energy issues. The research provides a useful benchmark against which to assess further market developments.

URL <http://energyconsumersaustralia.worldsecursystems.com/grant-archive/822-enhanced-advocacy-small-business-south-east-qld>

Ethnic Communities Council *Research the knowledge and participation of CALD consumers in the energy market, particularly in the new and emerging products and services sector* (2015)

- Surveyed 145 households in 10 different languages, and 83 small businesses in 8 languages in NSW and Victoria finding: consumers prefer communication in their own language; energy literacy is poor; they need help from retailers to understand and engage in the market; they are at risk of being left behind in accessing new energy technologies; and low income consumers are accessing payment assistance, despite their over-representation in the lowest income groupings.

URL <http://energyconsumersaustralia.worldsecursystems.com/grant-archive/715-cald-customers>

South Australian Council of Social Service *New technologies: framework and protections for consumers in embedded networks and communities considering off-grid supply* (2015)

- Assessed the efficacy of the consumer protection mechanisms for the more vulnerable segments of exempt customers, the occupants of permanent caravan and residential parks. SACOSS noted that there are broader implications for other exempt small customers, e.g. consumers in retirement villages, strata title apartments and small business consumers in shopping centres. The research found that the level of consumer protections is low, and there is a gap between the AER requirements for registration and actual practice.

URL <http://energyconsumersaustralia.worldsecursystems.com/grant-archive/722-off-grid-supply>

RMIT Centre for Urban Research *Changing demand: the flexibility of energy practices in larger households with dependent children* (2015)

- The first Australian study conducted on the feasibility of changing routines in households with children. Many activities are routinized during the morning and late afternoon/early evening, coinciding with Time-Of-Use peak tariff periods. Many households experience financial insecurity. Respondents were uncertain about the details of their electricity tariff, or when peak/off-peak times were. There was a widespread misunderstanding about off-peak.

URL <http://energyconsumersaustralia.worldsecursystems.com/grant-archive/623-energy-practices-in-larger-households>

5. How to improve consumers' capacity to make an informed choice

Consumer Action Law Centre *Heat or Eat* (2015)

- The report outlined the lived experience of Victorians experiencing financial difficulties. It noted that energy retailers play a significant role – poor customer service, badly targeted marketing and an unsophisticated approach to consumers in financial hardship make a bad situation much worse.

URL <http://energyconsumersaustralia.worldsecuresystems.com/grant-archive/748-consumer-engagement-in-the-energy-market>