



Information Bulletin

ECA Meeting with Finkel Review Panel 3 November 2016

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Energy Consumers Australia, led by CEO Rosemary Sinclair, met with Dr Alan Finkel and members of the Independent Review Panel (the Panel) on 3 November 2016, at the Panel's invitation. Our presentation to the Panel emphasised the importance of placing consumer outcomes at the centre of consideration of the energy market transformation.

In furthering ECA's objective to support strong, collegiate evidence based advocacy on national energy market matters of strategic importance for residential and small business energy consumers, this Information Bulletin has been prepared to inform advocates about ECA's meeting with the Panel and secretariat.

Background to the meeting

Rosemary Sinclair, accompanied by Chris Alexander, David Havyatt and Craig Memery, met with Dr Alan Finkel, Professor Mary O'Kane and Terry Effeney on 3 November 2016.

An Information Bulletin issued on 2 November provided the background to the work of the Panel. ECA and other stakeholders had approximately one week's notice of the meeting and two days notice of the format.

In preparation for this meeting, ECA sought the views of residential and small business consumers advocates, with a focus on statements about the National Electricity Market (NEM) that could be considered as indisputable, and ideas for reform. These ideas were compiled as a background brief but not presented in that form to the Panel. We also had the benefit of feedback from other advocates who had met with Dr Finkel the previous day in Melbourne.

We also identified and provided the Panel with evidence relevant to the review, including research work undertaken by the advocacy and research community under ECA's Grants Program as well as separate research commissioned by ECA.

Meeting notes

Dr Finkel noted that the Panel is consulting with stakeholders between now and the Preliminary Report that will be provided to the COAG Leaders' Forum meeting, currently scheduled for [9 December 2016](#).

Dr Finkel indicated that the Preliminary Report will set the scene for the Final Report, rather than be a draft of the Final Report. He did not confirm the timing or manner of a formal consultative process, though he did indicate a six month “end to end” timescale with the Final Report to be completed in April 2017.

Dr Finkel confirmed that the Panel takes Australia’s Paris commitment as a given. In this context, he also observed that while Australia’s 2030 emissions reduction target of 28% applies across all sectors, emissions reductions in the energy sector may need to be somewhat deeper than 28%, due to more limited cost effective opportunities to reduce emissions in others sectors such as farming and transport.

Ms Sinclair explained ECA’s role in promoting the long term interests of consumers, noting our focus is on matters of national significance. She noted that achievement of national outcomes still needs to be grounded in a firm understanding of the very different starting point in each jurisdiction.

Ms Sinclair began by stressing the importance for the Panel to consult with stakeholders in all NEM jurisdictions, in developing a truly national blueprint to maintain energy security and reliability while delivering on Australia’s carbon reduction commitments.

Ms Sinclair noted the reference to the National Electricity Objective in the Panel’s Terms of Reference and stressed that this focus on the long term interests of consumers is appropriate.

Ms Sinclair observed that the National Electricity Objective, in the National Electricity Act, is too narrow for the purposes of the review. The broader objective of national market arrangements is provided by the Australian Energy Market Agreement (AEMA) which is the commitment made by First Ministers with each other, first in [2004](#) and re-endorsed in [2013](#).

Ms Sinclair noted that the AEMA objective already has the key elements for the blueprint. This includes streamlined economic regulation, regulatory certainty and competition, planning and development of transmission and efficient investment, including in demand side resources such as distributed generation, all in the context of reducing greenhouse gas emissions. Given that this is the case the role of this review should be to give contemporary meaning to the AEMA. (See Attachment 1 for further information regarding the AEMA.)

Ms Sinclair stressed the importance of the independence of the Panel, noting that achieving carbon reduction targets needs to be achieved by other policy instruments or directions from Ministers and was not a function with which existing energy market bodies should be tasked.

Ms Sinclair emphasised the importance of the long term interests of consumers in the market transition for which the blueprint will be a guide.

On whether the NEM is delivering good outcomes for consumers, Ms Sinclair shared some of the key findings of ECA’s Energy Consumer Sentiment Survey (ECSS). In particular, she noted that consumers rate their value for money from electricity provision as worse than their banking, insurance, water, internet and mobile phone services. She noted that consumers are not confident that the energy market is working in their interests and do not expect the outcomes to improve in the near future.

Ms Sinclair noted also the lack of a true national market, along with the high profit margins of retailers and a level of customer churn that adds to cost rather than reducing prices, as further signs that the market is not working to promote the interests of consumers.

She noted that the ECSS research identified that consumers are looking to technologies (solar, storage and efficient appliances) to manage their electricity costs. This has motivated ECA’s further research on solar experience and storage readiness. She advised the Panel this research would be available in January.

On the specific issue of affordability Ms Sinclair reflected that energy prices are rising faster than inflation and incomes and hence becoming less affordable. She noted that markets are limited with respect to their ability to deal with affordability, and some consumers would need other forms of support.

On consumer protections, Ms Sinclair shared findings from ECA's new research into the consumer experience of solar PV and the readiness of both market arrangements and consumers for batteries. This research tells us that, while the solar PV market has matured to the point of a high level of consumer satisfaction, an accelerating battery market will require active monitoring to ensure equally good consumer outcomes. This research also highlights the impact of misalignment between energy and carbon policies.

Ms Sinclair noted that one of consequence of worsening affordability is disconnection. ECA has commissioned its own research from KPMG which tallies the direct costs to government and industry of disconnections, as well as funding the St Vincent de Paul's *Households in the Dark* report which documents the geographic dimensions of disconnection.

Ms Sinclair concluded that the Panel needs to start from the position of consumer interests. It then needs to consider the technical and other solutions most appropriate to deliver on those interests, consider what policies are needed to address them and the cost of overall solutions. The Panel needs to take into account that:

- the blueprint is not simply an engineering task;
- no one should be left behind in the transition;
- consumers should pay no more than is necessary for the changes needed; and
- consumers must be able to effectively participate in the market.

We also provided the Panel with a number of reference documents. These included:

- ECA's Research Paper *Assessing the Long Term Interests of Consumers* (available [here](#)).
- The findings from ECA's first Energy Consumer Sentiment Survey (available [here](#))
- St Vincent De Paul Society's report *Households in the Dark* (available [here](#))
- ECA's submission to the 2015 review of governance arrangements for the national energy market (available [here](#))

Dr Finkel expressed appreciation for ECA's input and indicated that the Panel would closely consider our evidence and perspectives.

Dr Finkel shared his early thoughts on how the interests and roles of consumers fit in to energy market reforms. Most notably, he acknowledged the 'policy trilemma' of balancing reliability, affordability and emissions reductions in energy, and that he was contemplating how consumer interests can be integrated into the framework.

Next Steps

ECA will provide updates and material on the [Finkel Review on its website](#).

We are keen to continue the dialogue with advocates about the Finkel Review and ensure that the voice of consumers is heard in what is shaping as a critical process for the future of the NEM.

ATTACHMENT 1 – The Australian Energy Market Agreement Objective

(Underlining or emphasis added)

The [2004 Australian Energy Market Agreement](#) (that followed the Parer review) had as its objective:

2.1 *The objectives of this agreement are:*

- (a) the promotion of the long term interests of consumers with regard to the price, quality and reliability of electricity and gas services; and*
- (b) the establishment of a framework for further reform to:*
 - (i) strengthen the quality, timeliness and national character of governance of the energy markets, to improve the climate of investment;*
 - (ii) streamline and improve the quality of economic regulation across energy markets to lower the cost and complexity of regulation facing investors, enhance regulatory certainty, and lower barriers to competition;*
 - (iii) improve the planning and development of electricity transmission networks, to create a stable framework for efficient investment in new (including distributed) generation and transmission capacity;*
 - (iv) enhance the participation of energy users in the markets including through demand side management and the further introduction of retail competition, to increase the value of energy services to households and businesses;*
 - (v) further increase the penetration of natural gas, to lower energy costs and improve energy services, particularly to regional Australia, and reduce greenhouse emissions;*
 - (vi) address greenhouse emissions from the energy sector, in light of the concerns about climate change and the need for a stable long-term framework for investment in energy supplies.*