Ethnic Communities' Council of NSW Inc.

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Submission in response to the IPART review of the performance and competitiveness of the retail electricity market in NSW from 1 July 2014 to 30 June 2015.

The Ethnic Communities Council of NSW (ECC NSW) and the Federation of Ethnic Communities' Councils of Australia welcome the opportunity to comment on the draft IPART review of the performance and competitiveness of the retail electricity market in NSW.

Since its formation 40 years ago the ECC NSW has been the peak body for culturally and linguistically diverse (CALD) community members and representative organisations in NSW. The Ethnic Communities' Council of NSW main activities are advocacy, education and community development. It is a member of the Federation of Ethnic Communities Councils of Australia (FECCA) and the Energy Advocacy role represents FECCA in the National Energy Market (NEM).

We would like to comment in particular on the sections of the review which focus on customer participation and outcomes.[1]

Extrapolations from the 2011 census indicate that approximately 28% of Australian residents were born overseas, an increase of about 24% over the decade 2003 – 2013.[2] Within NSW and Victoria, those states with the majority of the CALD population, 2011 census figures give approximately 29% of the population as born overseas and 25% speaking a language other than English (LOTE) at home. NSW figures are approximately 26% born overseas and 22.4% speaking a language other than English at home.[3] These figures represent increases of approximately 3 – 4% over the 2006 census statistics.[4]

The figures for LOTE speakers at home can be unreliable, as respondents asked what language is spoken at home often reply English while there remains a strong first language presence within the home, often with the older members of the extended family network.

Australia wide, within the five year changes in the above figures, there has been an over 250% increase in residents born in India and Sri Lanka, and a 22% increase in residents born in Asia.

At least 40% of small to medium enterprises within Australia are owned/operated by members of CALD communities and all of these businesses are consumers of electricity and/or gas.[5]

1 IPART, Draft report on the Review of the performance and competitiveness of the retail electricity market in NSW, July 2015, pps 21 - 30
2 see www.home.id.com.au/public-resources
3 see www.multicultural.id.com.au/multiculturalnsw
4 www.home.id.com.au/public-resources op cit
5 Hon John Ajaka, NSW Minister for Ageing, Disability Services and Multiculturalism, at a reception at Parliament House, 3 June 2015

The AEMC commissioned research on which their review [6] conclusions are largely based was conducted by Newgate Research and detailed in their Consumer Research report.[7] This research was conducted across approximately 2000 residential and 500 small business consumers in the six NEM jurisdictions, with appropriate filters and safeguards in place to ensure that the respondents fitted the criteria demanded by AEMC. Surveys were completed either via fixed line telephone or online. Based on the evaluation of results from the 2014 surveys, a greater proportion of all surveys were conducted online in 2015.[8] Newgate indicates that 'further quotas were set to ensure a good mix of consumers were included in the research……[and]…data weighted to reflect the actual population by state using a mix of 2011 ABS Census data and the incidence rates of main or joint decision makers obtained in the online survey'.[9]

Looking at the questions posed by Newgate Research in the survey [10] shows that **no** questions were asked about ethnicity, cultural background, first language, language spoken at home or in the business or whether difficulties about understanding or engagement in the market had a basis in either language or culture.

Based on this research the AEMC found that small customers (residential and business) had a high level of awareness of their ability to choose their retailer and electricity plan, particularly small business. They conclude that competition continues to be effective in the NSW retail electricity market and that customers continue to actively shop around for energy deals on par with their 2014 survey.[11]

Research conducted by the ECC NSW over several years paints a very different picture about CALD engagement in, and understanding of, the retail energy market.

A research project funded through the Consumer Advocacy Panel in 2012 commissioned research in order to better understand the experiences and concerns of CALD energy consumers in households and small ethno-specific businesses.[12] While this survey was not specifically directed at ascertaining the depth of CALD engagement in competitive behaviour in the energy market, it did produce results which bear on this issue.

Surveys were conducted by ECC NSW utilising the guidelines subsequently developed and published for engaging CALD energy consumers effectively, *Cultural Connections: engaging CALD energy consumers*.[13] These guidelines recognise that CALD communities have widely varying, and often minimal use, of online resources and information. They also recognise the difficulties for CALD communities in communications by phone, or by direct provision of information in the form of brochures and pamphlets.

The approaches in *Cultural Connections* include using face-to-face meetings by trained bi-lingual educators with good contacts in their communities, through individual personal interviews, focus groups and group interviews across a range of language groups. The respondents to the household surveys can be roughly split into three groupings; 1940s and 1950s arrivals (largely Greek and Italian community members), 1970s and 1980s arrivals (SE Asian and Arabic communities) and newly arrived and refugee communities (African, Middle

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6 AEMC, *2015 Retail Competition Review*, 30 June 2015
7 Newgate Research, *Consumer Research for 2015 Nationwide Review of Competition in Retail Energy Markets*, June 2015
8 ibid page 9
9 ibid page 10
10 ibid, Appendix 1, page 320
11 AEMC op cit page i
12 ECC NSW, *Experiences of Energy Consumption for CALD communities*, March 2012
13 ECC NSW, *Cultural Connections: Engaging CALD energy consumers*, June 2015

Eastern and Chinese communities). Respondents to the small business surveys were split into business types and language groups.

Highlights of this research were:

- About one quarter of the first and third household groups did not know who their electricity retailer was. The third group, perhaps because of rental status, was less likely to have chosen their electricity supplier.

- Most of the first group had been visited or contacted by retailers about changing supplier. This information was obtained following a considerable growth in cold-calling and door-knocking blitzes by retailers. About three quarters of groups two and three had been contacted by an energy retailer to change retailer. About half had changed, thinking it would save them money and many did not know whether it had decreased their energy costs or not.

- Nearly all of group one and two thirds of groups two and three did not know that they could access hardship programs if they were experiencing difficulty paying energy bills.

- When asked in focus groups, residential consumers mostly had not chosen to change energy suppliers, generally through the belief that it would not make a difference to their costs or because of the ease and comfort of staying with the familiar or because of a lack of information about how to get the best deal.

- About half of the small businesses surveyed said they did not have a contract with their supplier. Of those who did, about half did not negotiate that contract. The majority of respondents did not know they could negotiate a cheaper price. Approximately half had been approached to change electricity supplier, most did not change, citing promises of discounts that did not eventuate, bills rising regardless etc.

- CALD consumers are not generally respondents to on-line surveys, nor do they respond to fixed line phone surveys, especially at small business premises.

Further work was undertaken by ECC NSW in a project funded through the Department of Industry and Science, the Business Energy Smart Tips (BEST) project.[14] Among other aspects of the project, over 900 ethno-specific small to medium enterprises (SMEs) were surveyed longitudinally about energy use, energy efficiency and the energy market. Again, the engagement and consultation processes used were based on the *Cultural Connections* [15] guidelines.

Pertinent highlights of this research were:

- In the initial survey, business owners surveyed clearly knew their own business and the areas of greatest energy use, but the levels of knowledge about managing electricity and reducing costs were low. One quarter of those surveyed found difficulty reading/understanding their bill and one sixth did not read it at all. The way electricity was charged was a major knowledge gap and more than half of those surveyed did not know the basis of their metering.

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14 ECC NSW, *Business Energy Smart Tips (BEST) for Ethno-specific SMEs*, Final Report, July 2015

15 ECC NSW, *Cultural Connections*, op cit

- When asked about their preference for receiving information (and presumably giving information to those surveying) only 5% nominated doing it online, 8% through email. Two fifths preferred to have face-to-face information from experts at their business.

- Three quarters of businesses surveyed preferred communications in their own language (half simply wanted their own language only, one quarter were OK with English but still preferred their own language). Only one quarter indicated that they were comfortable with information in either their own language or English.

- This research reinforced the previous findings that online and fixed phone line survey techniques were not effective methods of ascertaining information or engaging CALD energy consumers, particularly small businesses.

IPART indicates that around 10% of small customers investigate a better option or plan, but do not switch. Reasons given for this behaviour include existing retailers providing a better price to retain custom, insufficient value in the switch, or confusion.[16] Reasons for not investigating options at all include satisfaction with current retailer, too much hassle or little difference between options.[17] ECC NSW research points to the reasons CALD consumers (domestic and small business) did not investigate options nor take them up when offered was more firmly based on a lack of understanding and engagement in the process, rather than satisfaction with the status quo.

IPART concludes that customer participation is positive in that about 90% of customers are aware of the choices available to them.[18] Indications of non-participation in the market could involve difficulties with language or other barriers.[19] Unfortunately, no data about ethnicity, language or culture was collected in the AEMC research conducted through Newgate or the subsequent analysis in the IPART Draft Report and so the importance of any difficulties with language is unable to be quantified.

While IPART conclusions about customer satisfaction with switching retailers was also very positive [20], our research shows that CALD consumers are much less positive about the benefits of retailer switching. [21]

Complaints data collected by agencies such as EWON and retailers does not include any filters for ethnicity, language issues or cultural difficulties, and so the relative proportions of CALD consumers in the complaints data is not possible to determine. Representations to retailers and EWON concerning the process of collection of complaints data to include questions of ethnicity/language and understanding have been made by ECC NSW and are yet to be adequately addressed.

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16 IPART, op cit page 27

17 loc cit

18 loc cit

19 loc cit

20 ibid page 28

21 ECC NSW, *Experiences of Energy Consumption for CALD communities* and *Business Energy Smart Tips (BEST) for Ethno-specific SMEs* op cit

Effective competition in the retail energy sector presupposes both understanding of, and effective engagement in, the energy market by energy consumers. Both domestic and small business CALD electricity consumers are yet to be fully engaged in the competitive retail market and have a restricted understanding of the opportunities available to modify or reduce their energy costs. The extent to which this is the case cannot be ascertained by the research on which IPART has based its conclusions about competition in the NSW retail electricity market. The limited research conducted by ECC NSW thus far certainly points to a lack of competiveness in, engagement with, and understanding of the market for a sizeable proportion of the NSW population.

ECC NSW again thanks IPART for the opportunity to comment on its Draft Review of the performance and competitiveness of the retail electricity market in NSW.

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Sincerely yours,

Mary Karras

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