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Ms Clare Savage
Deputy Chair
Energy Security Board

By email: info@esb.gov.au

STRATEGIC ENERGY PLAN CONSULTATION ON DRAFT METRICS

Dear Ms Savage,

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of consumers with respect to price, quality, reliability, safety and security of supply.

We appreciate the opportunity to comment on the Strategic Energy Plan, Consultation on Proposed Metrics (Paper). It is crucial that the Strategic Energy Plan, which can play a role in guiding policy, regulation and business decisions during a period of change in the energy system, is tied to the long-term interests of consumers and their experience in the market. Where possible, the metrics the sector uses to assess its performance must be based on consumer outcomes, not least of which is energy affordability, rather than the input or process measures that are not always a reliable guide to the health of a market.

High prices for electricity are causing significant and ongoing detriment for households and small businesses. In the latest Energy Consumer Sentiment Survey (ECSS), households and small businesses ranked electricity behind banking, insurance and mobile phone services on value for money, and less than half indicated that they have the information and tools they need to make choices about energy services. Importantly, only a third of respondents indicate that they believe the market is working in their interests.¹

We therefore welcome the ESB's proposal to embed core consumer satisfaction and confidence measures from Energy Consumers Australia's Energy Consumer Sentiment Survey (ECSS) in the Strategic Energy Plan. The ECSS is a six-monthly survey of 2,300 Australian households and small businesses that provides a unique insight into how consumers are faring in the market. The Australian Energy Market Competition (AEMC) incorporates elements of the Energy Consumer Sentiment Survey in its annual Retail Competition Report, and it is also being used by the Australian Energy Market Operator (AEMO) to inform its forecasting. Embedding this robust and respected consumer view in the Strategic Energy Plan will help ensure it remains relevant and acts as a diagnostic tool for decision-making in the sector.

Affordability outcomes means we need to track 'energy use' not just prices

Energy affordability outcomes for consumers depend on not just the price per unit of the electricity and gas, but also how much energy the household needs for a healthy and comfortable home, and a small business for its competitiveness.

¹ <https://energyconsumersaustralia.com.au/news/only-1-in-4-say-their-homes-are-energy-efficient/>



The body of evidence collected through our Power Shift program² has underlined the causal links between energy and household health and wellbeing. Living in a home that is too hot or too cold, and dealing with high energy bills, can lead to poor health, financial stress and contribute to social and economic exclusion³. The Low-Income Energy Efficiency Program indicated that when given effective tools and assistance, vulnerable consumers are likely to respond⁴.

We are therefore pleased to see a broader range of metrics about energy expenditure and fuel poverty embedded in the Strategic Energy Plan, that will provide better understanding of energy affordability, as well as consumer engagement and actions in the market.

Implementing the ACCC recommendations as a package

The ACCC identified significant problems across the entire supply chain that are contributing to what the report said is a “market that is not working for consumers”. Getting on with the job of refining and implementing the comprehensive package of 56 REPI recommendations must be the number one priority for governments – both individually and through the COAG Energy Council – to deliver promised savings of 20-25 per cent or \$400 off the average household bill.

There is a lack of transparency about what work is underway through the COAG Energy Council and by jurisdictions to implement various ACCC recommendations. From our understanding of progress more needs to be done to coordinate this work as a package. By working together through the National Electricity Market framework, governments, market bodies, energy companies and consumer organisations, can deliver robust and consistent solutions for households and small businesses across the country.

The implementation of the ACCC Blueprint and getting the market working for consumers will be an ongoing, iterative process that can be guided by the Strategic Energy Plan. The ACCC’s Electricity Market Monitoring Inquiry, which will publish six-monthly reports until 2025, as well as higher-levels of scrutiny by the AER using strengthened information gathering and enforcement powers, provide a basis for a review and ratchet process in relation to prices and service.⁵

There remain significant gaps in publicly available information about the market – including how many consumers with solar PV are on standing offers – that make it difficult to calibrate policy and regulatory solutions as well as to measure performance against clear key performance indicators.⁶

Industry leadership to re-build trust

We also see the Strategic Energy Plan playing a unifying role for a sector in transition, and one that is in the process of building a new culture orientated around consumers.

There is an opportunity over time to reflect the performance of companies against the Energy Charter principles, and ongoing disclosures by signatories. The Energy Charter principles in action are particularly relevant, which aim for every business take responsibility for customer outcomes, and

² <https://energyconsumersaustralia.com.au/projects/power-shift/>

³ <https://energyconsumersaustralia.com.au/wp-content/uploads/Multiple-Impacts-of-Energy-Efficiency-An-Assessment-Framework.pdf>

⁴ <https://energyconsumersaustralia.com.au/wp-content/uploads/Driving-Change-Identifying-what-caused-low-income-consumers-to-change-behaviour.pdf>

⁵ Presentation AER DMO Forum, 5 December 2018,

<https://energyconsumersaustralia.com.au/publication/default-market-offer-impacts-for-consumers/>

⁶ Issues around transparency and data availability were one of the matters discussed at ECA’s Foresighting Forum 2019 see Finncorn presentation at <https://energyconsumersaustralia.com.au/projects/foresighting-forum/>



structure remuneration and incentives for managers and employees to ensure the whole organisation is aligned to that purpose.

This is a live matter at the moment, with work underway to implement ACCC recommendations to re-establish the retail price safety-net and make choosing a retail offer more straightforward for consumers. We are calling for energy companies to demonstrate leadership by acting to reduce prices, re-establish the safety-net and address confusing discounting practices. Improving outcomes and salvaging the idea of a competitive market cannot be achieved through new law and regulation alone – it will require a big cultural shift by energy suppliers to focus on delivering the best possible service for consumers, on their terms. This shift needs to be led by boards in conjunction with senior leadership teams of energy companies across the supply chain and by policy makers and market bodies in the sector.

Recent action by the Big 3 retailers following the roundtable with the Federal Minister for Energy, including to improve concessions support for customers and to reduce prices for standing offer customers, is an important first step in this process. More significant price reductions, and longer-term initiatives like the Energy Charter, should create space for governments to resume a more normal oversight role.

The next round of retail price announcements is an important opportunity for retailers and networks to work together through the Energy Charter framework to deliver improved affordability outcomes for consumers and begin to re-build trust. The resolution of the remittal of the 2014-19 NSW distribution network determinations, means that \$730 million in savings must begin to be returned to households and small businesses in that jurisdiction, from 1 July 2019.

These are examples of the practical price, service and trust outcomes that the Strategic Energy Plan and the supporting performance monitoring framework should prioritise.

Conclusion

Thank you for the opportunity to comment on the Consultation Paper. If you have any questions regarding our submission, please contact Chris Alexander on 02 9220 5500 or email on chris.alexander@energyconsumersaustralia.com.au.

Yours sincerely,

Rosemary Sinclair AM
Chief Executive Officer
Energy Consumers Australia