

# What will it take to boost consumer confidence?

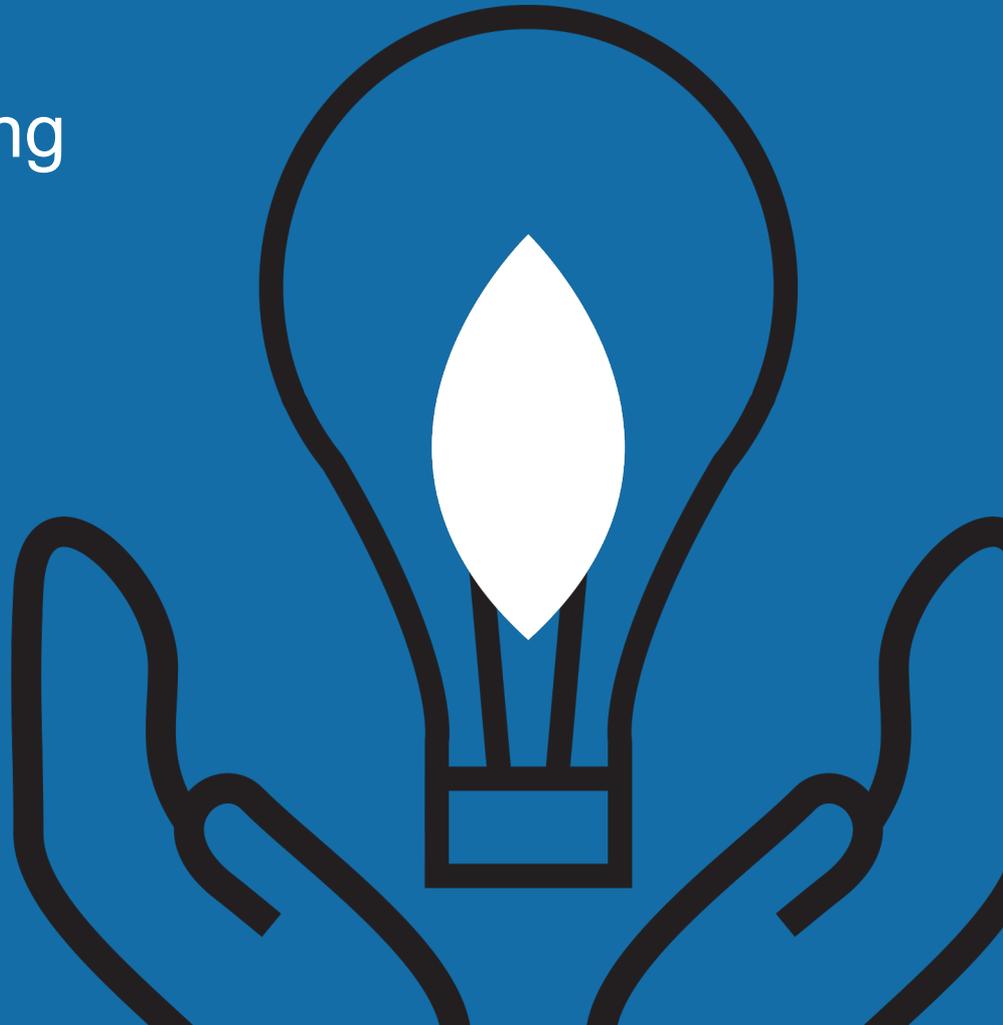
14 November 2018

Rosemary Sinclair

CEO

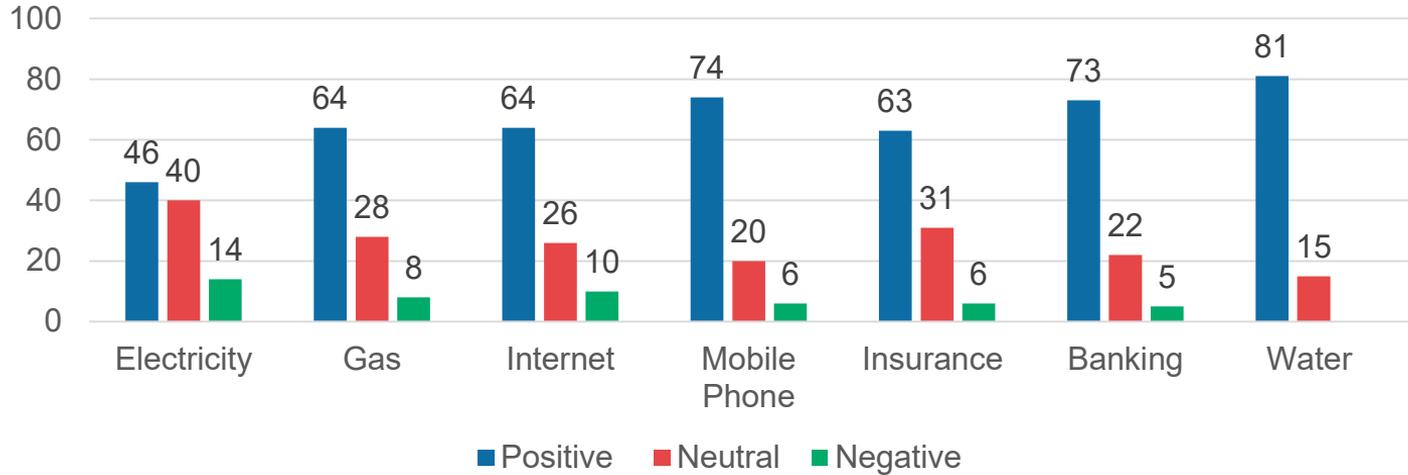


# 1. What consumers are telling us



# What consumers are telling us

## Satisfaction with utilities and services



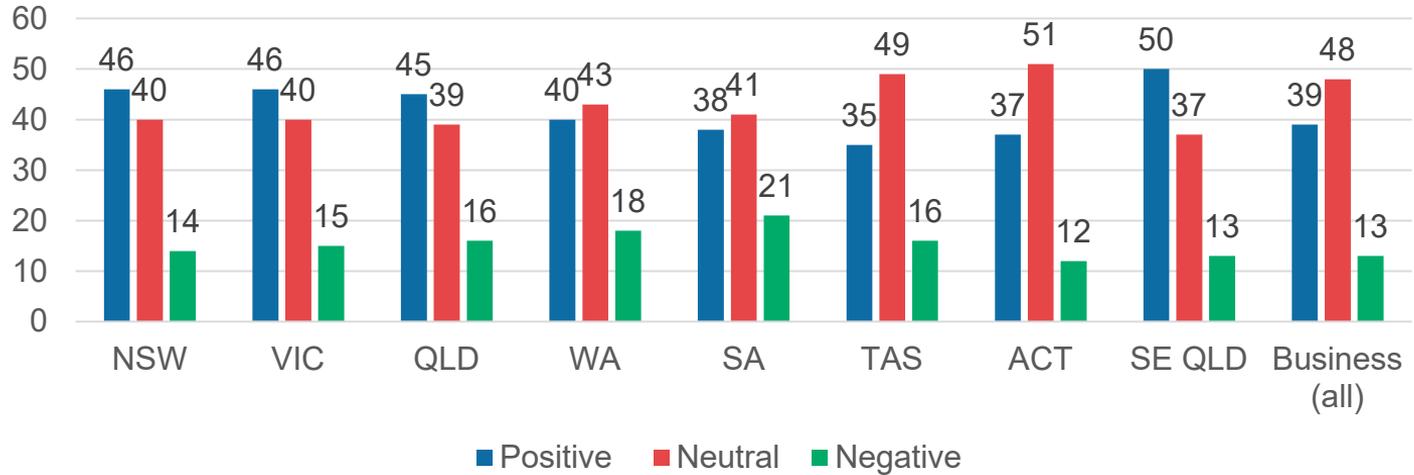
Energy  
Consumer  
Sentiment  
Survey  
June 2018

# What consumers are telling us



Energy  
Consumer  
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## Satisfaction with electricity value for money

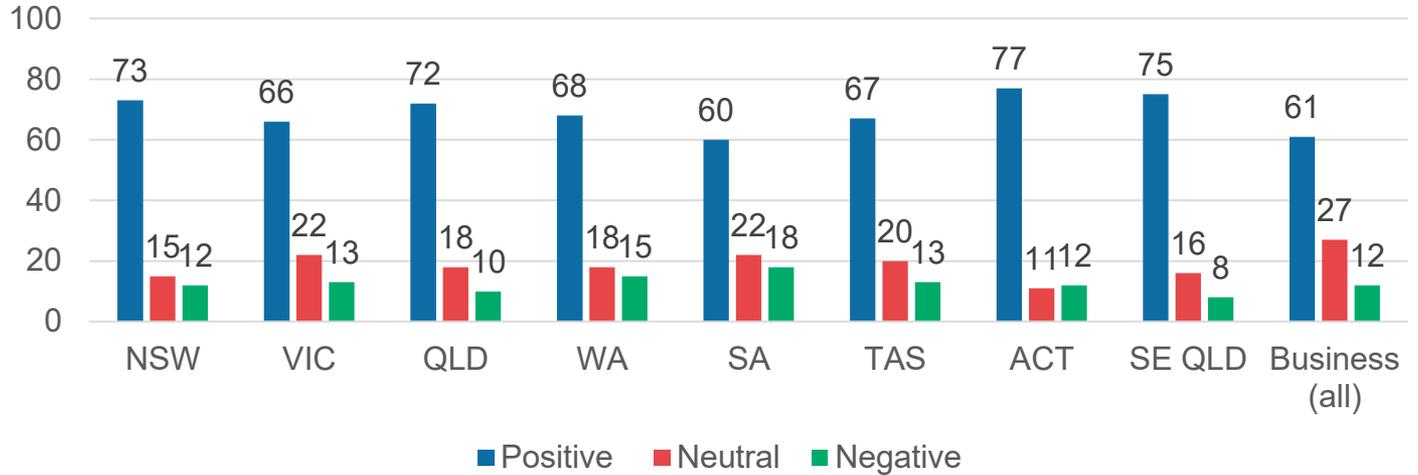


# What consumers are telling us



Energy  
Consumer  
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Survey  
June 2018

## Satisfaction with electricity reliability



## Media Release

18 September 2018

### Rebuilding consumer confidence critical to managing affordability

Energy Consumers Australia today released the latest survey of household and small business attitudes to electricity and gas services, which shows big falls in value for money and in consumer confidence that the energy market is working compared with a year ago.

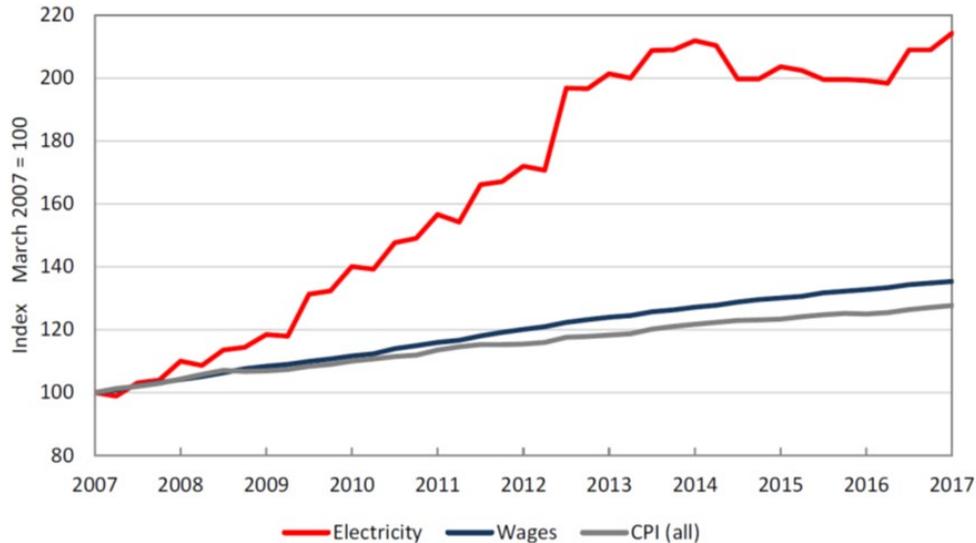
The June 2018 survey of more than 2000 household consumers and 280 small businesses, which is the biggest of its kind in Australia, shows that only 44% of people believe they are getting good value for money for their electricity service, compared with 74% for banking and 62% for insurance.

*“After ten-years of price increases, it appears that most households and small businesses have exhausted the changes they are able to make to reduce their use and keep their bills under control. “*

*The survey saw drops in consumer confidence that they can effectively manage their energy use and costs. Only 58% are confident in their ability to manage their use (down 11%), while half of consumers say they have enough easily understood information available to help them make good decisions about their energy supply (50% down 7%) or the right tools (46%, down 7%).”*

# In the short term, the price of regaining trust and confidence is the price

Figure 1.3: CPI for electricity compared with other sectors and wage growth



Source: ABS, Consumer Price Index 6401.0 and ABS, Wages Price index 6345.0, Australia.

1. Immediate action on prices and to clear up choice for consumers.
2. Longer-term outcomes ... orderly transition, seizing opportunities.

Partner with consumers who will continue to redefine the system and the market



# “Cost and control” driving investment solar and batteries



BUSINESS CONSUMER AFFAIRS RENEWABLES

## 'Records falling everywhere': solar panel demand goes through the roof

By [Peter Hannam](#)

3 November 2018 – 12:00am

[A](#) [A](#) [A](#)

For Amit Narang, an IT expert working for NSW Health, the choice to put solar panels on his roof was partly to cut carbon emissions but mostly because the financials had become conclusive.

"We felt we could recover the costs in four to five years," Mr Narang said on Thursday, hours after a 6.5-kilowatt photovoltaic system was installed on his home in The Ponds, in Sydney's west. "You're also saving the environment."



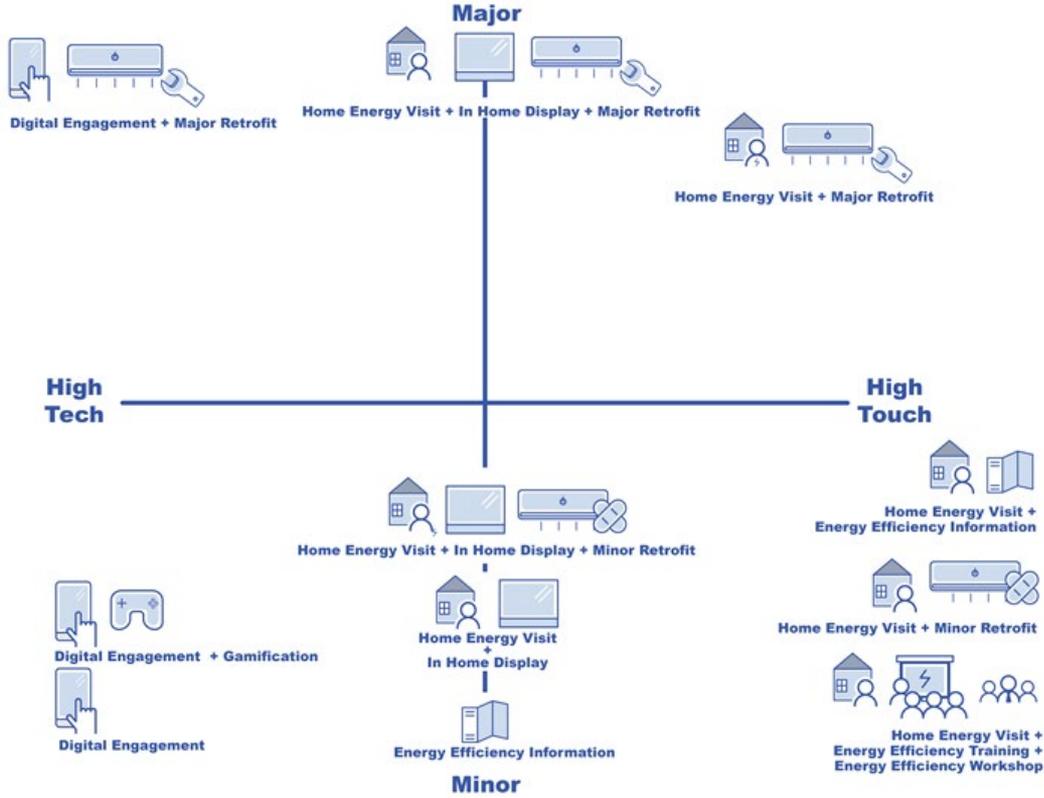
The Integrated System Plan is a tool to integrate system investment but must take account of consumer investment, value and rewards.

# Energy management must be part of the solution...who will work with consumers to find and save electrons?

**Power Shift**

*Helping industry and government deliver programs and products to help vulnerable households manage their energy*





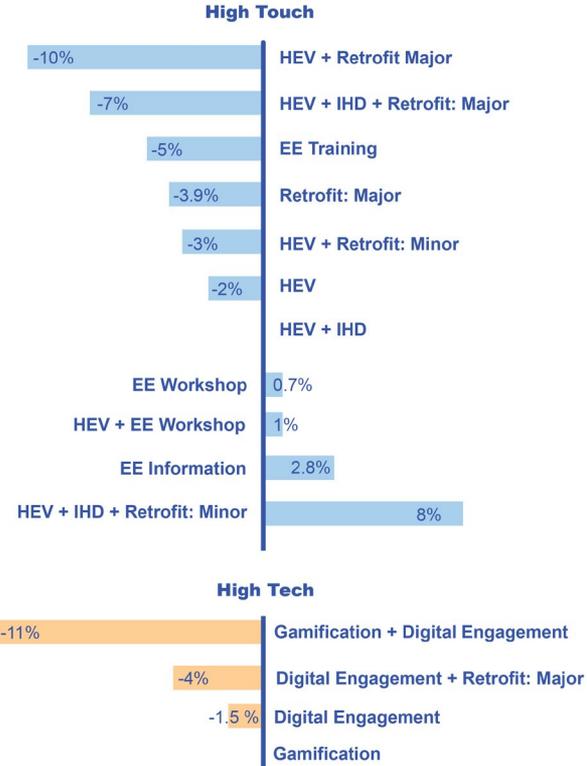
# What works – average daily household use per initiative

**Power Shift**

*Helping industry and government deliver programs and products to help vulnerable households manage their energy*



**ENERGY CONSUMERS AUSTRALIA**



## 2. Resetting the market

...



## The ACCC's assessment



*“The approach to policy, regulatory design and promotion of competition in this sector has not worked well for consumers. Indeed, the National Energy Market (NEM) **needs to be reset...**”*

1. Wholesale market – concentrated and opaque
2. Networks – RAB valuation and growth, revenue incentives
3. Environment policies and programs – public good; role for government?
4. Retail market – information asymmetry; ineffective safety net

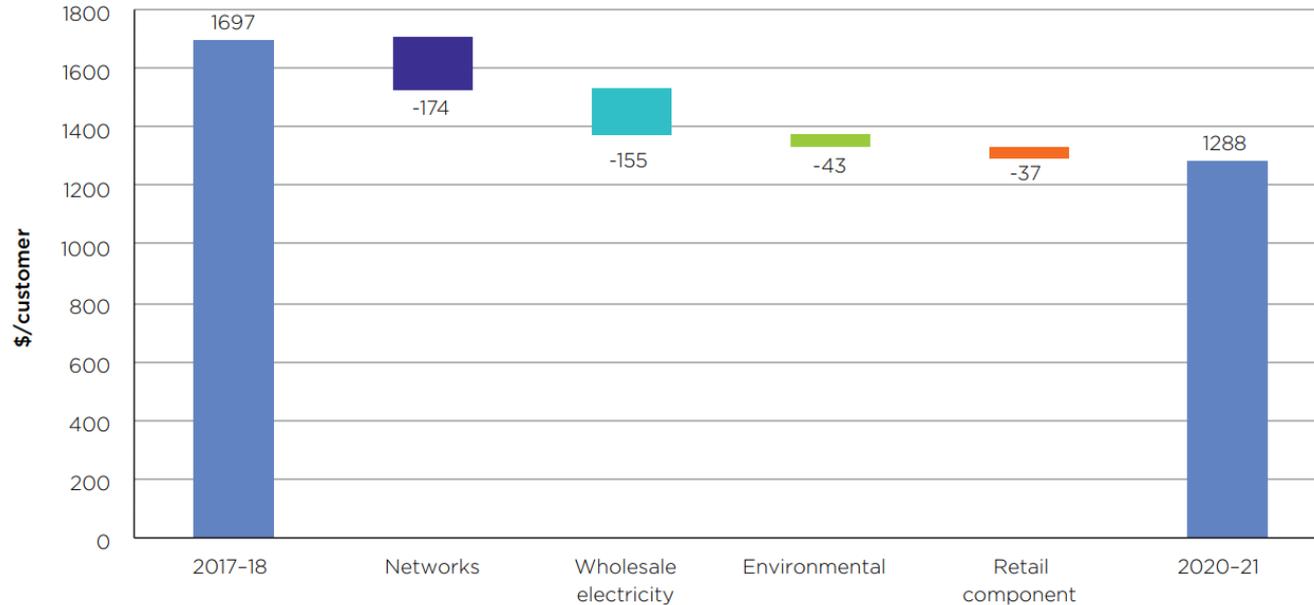
## Action can deliver \$300-\$400 savings by 2020-2021

**Table A: Achievable average annual residential bill savings by 2020-21**

Region	Achievable savings (\$ per annum)						2020-21 Bill	% Reduction
	2017-18 Bill	Networks	Wholesale	Enviro	Retail	Reduction		
Victoria	1457	39	192	34	26	291	1166	20
NSW	1697	174	155	43	37	409	1288	24
South east Queensland	1703	147	192	18	62	419	1284	25
South Australia	1727	13	227	89	42	371	1356	21
Tasmania	1979	113	226	75	—	414	1490	21

# Where are the savings?

Figure G: Achievable average residential bill savings in NSW by 2020-21



Source: [www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage](http://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage)

## The COAG Energy Council's agenda – October 2018



1. Retailer Reliability Obligation (noting South Australia's particular concerns around the trigger)
2. Integrated System Plan – implementation plan + advice on any rule changes that might be required
3. AEMO Summer Readiness
4. ACCC Retail Electricity Pricing Inquiry – Commonwealth default offer + states reference point/comparison rate.
5. ESB work on the Strategic Energy Plan (Finkel rec. 7.1).

## Walking and chewing gum...



- RIT-T (consumer test) Riverlink and Project Marinus
- Network revenue resets – NSW draft decisions, SAPN, EQ and TAS well progressed, VIC at scoping stage + Tariff Structure Statements.
- AER reviews...on core aspects of the regulatory framework rate of return, profitability, tax, profitability.
- Rule changes...Wholesale Demand Response Mechanism

### 3. Vision and culture



## Our response to the 'trilemma' – 3 steps to consumer focused outcomes



1. *Affordable* – price is the price to regain Trust (Confident)
2. *Individualised* – data and information to meet consumers where they are (Engaged)
3. *Optimised* – system decisions which include consumers and their assets, rewards, prices and decisions (Satisfied)

## Trust, culture and outcomes



*“The law already requires entities to ‘do all things necessary to ensure’ that the services they are licensed to provide are provided ‘efficiently, honestly and fairly’. Much more often than not, the conduct now condemned was contrary to law. Passing some new law to say, again, ‘Do not do that’, would add an extra layer of legal complexity to an already complex regulatory regime. What would that gain?”*

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Interim Report

# Leadership and accountability to regain trust and confidence



- *“See that hill...somebody take it...”*
- Where is accountability for price outcomes?



## A new conversation about outcomes and accountability



*The entire electricity supply chain, including retailers, is culpable in a failure to provide affordable, reliable and cleaner energy.*

*We've let down families and businesses across the country.*

Catherine Tanna, CEO Energy Australia,  
AFR Energy Summit 11 October 2018

# A consumer statement of expectations... *The Energy Charter*

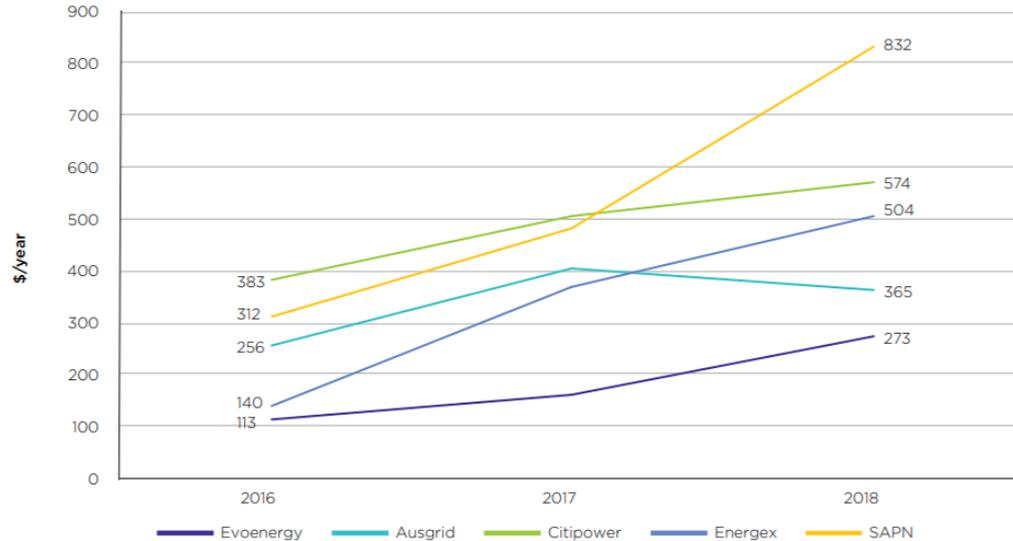
## The Five Principles



Source: The Energy Charter,  
<https://www.theenergycharter.com.au/>

# Fixing the safety-net an opportunity for an industry leadership

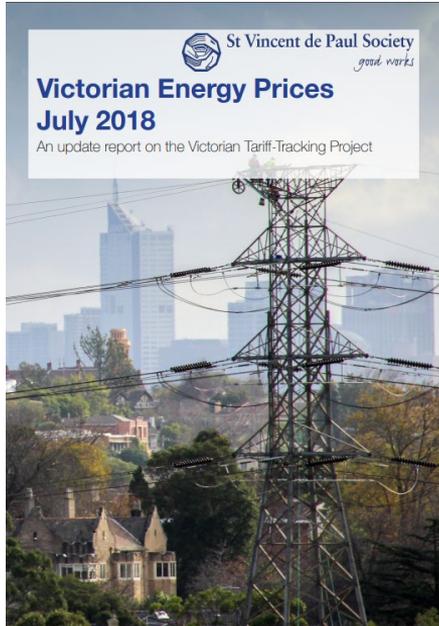
Figure 12.1: Gap between the median standing offer bill and lowest price market offer bill in Canberra, Sydney, Melbourne, Brisbane, Adelaide (2016-18)



*“It is clear that the standing offer is no longer working as it is intended and is causing financial harm to customers”*

Source: AEMC, 2018 Retail Energy Competition Review Final Report, June 2018, p. 76; AEMC, 2016 Retail Energy Competition Review Final Report, June 2016, pp. 17, 20, 23, 25.

# And clearing up choice via a reference bill



**Table 1** Electricity market offer features post July 2018<sup>25</sup>

Retailer	Name	Effective from	Guaranteed discount	Pay on time discount	Contract term/ benefit period	Early termination fee
<b>1st Energy</b>	Market Offer	1/07/18	no	43% off usage	24 months	no
<b>AGL</b>	Savers	1/07/18	no	30% off usage	12 months	no
<b>Alinta Energy</b>	Fair Deal	12/07/18	no	43% off usage	24 months	no
<b>Click Energy</b>	Agate	1/03/18	no	27% off bill	no	no
<b>Commander</b>	Market offer	1/10/17	no	20% off usage	no	no
<b>CovaU</b>	Smart Saver	1/02/18	no	34% off usage	12 months	no
<b>Diamond Energy</b>	Pay on time discount	1/01/18	no	7% off bill	no	\$22
<b>Dodo Power &amp; Gas<sup>^</sup></b>	Dodo Electricity	23/02/18	no	no	no	no
<b>EnergyAustralia</b>	Anytime Saver	1/07/18	34% off usage	no	12 months	no
<b>GloBird Energy<sup>^</sup></b>	Glosave	1/05/18	no	34% off bill	no	no
<b>Lumo Energy</b>	Advantage	18/04/19	no	27% off bill	no	no
<b>Momentum Energy</b>	SmilePower	1/07/18	no	no	12 months	no
<b>Origin Energy</b>	Saver	23/03/18	no	26% off usage	12 months	no
<b>Tango Energy</b>	Home Select	12/06/18	no	no	24 months	no
<b>People Energy<sup>^</sup></b>	On time saver	1/07/17	no	20% off usage	no	no
<b>Powerdirect</b>	Market Offer	29/06/18	no	37% off usage	12 months	no
<b>Powershop<sup>*</sup></b>	Power Saver	1/07/18	no	19.5% off bill	no	no
<b>Q Energy</b>	Flexi Saver Home	12/06/18	no	no	24 months	no
<b>Red Energy</b>	Living Energy Saver	14/02/18	no	10% off bill	no	no
<b>Simply Energy</b>	Plus	4/04/18	no	40% off usage	24 months	no
<b>Sumo Power</b>	Pay on time	14/06/18	no	43% off usage	12 months	no
<b>Amaysim</b>	Electricity 4	29/05/18	no	5% off bill	no	no

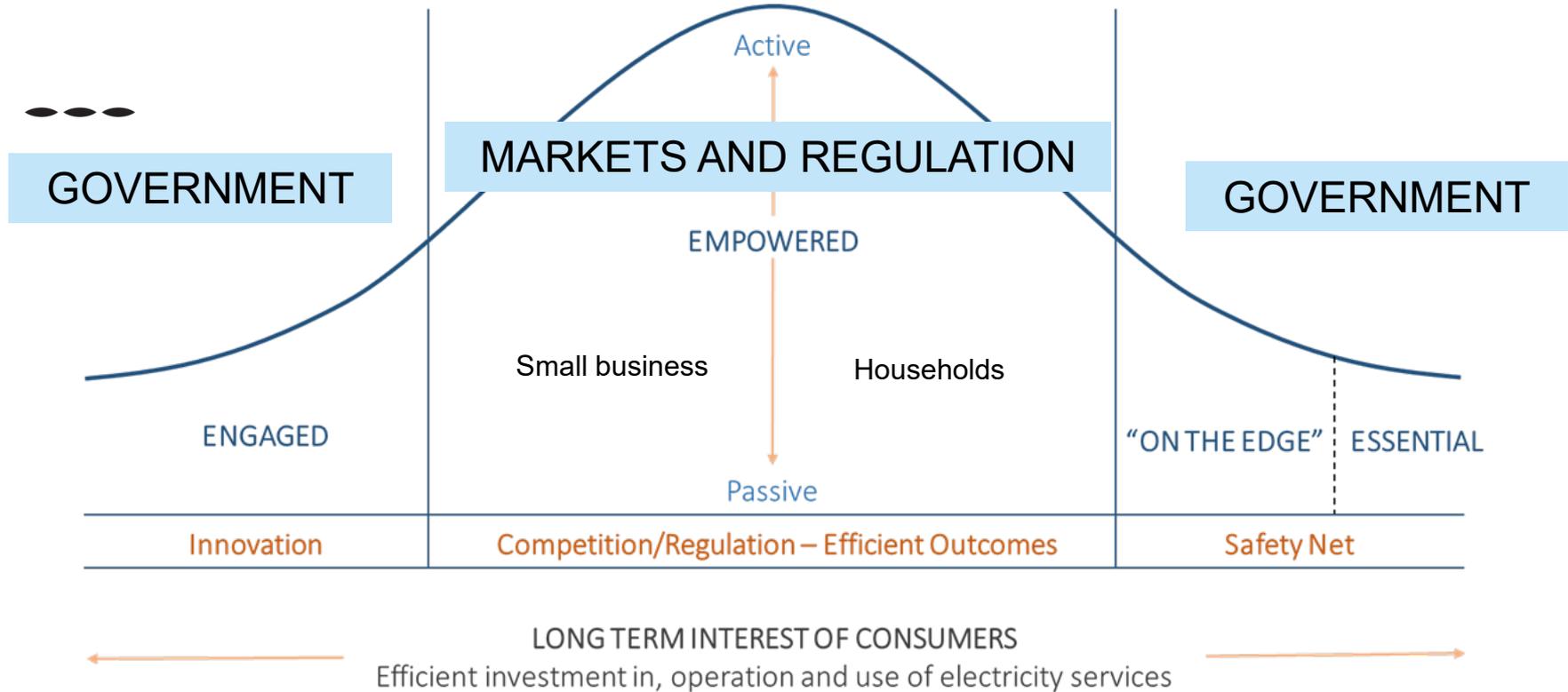
<sup>^</sup> Additional discounts for direct debit, e-billing or dual fuel customers may apply

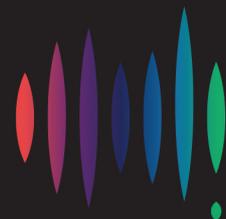
<sup>\*</sup> Powershop's conditional discount is not based on pay on time but it does require customers to actively purchase special deals

# Clearing up confusopoly



# A more sophisticated vision of a market for an essential service





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