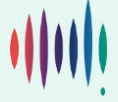


South Australia Small Claims Compensation Scheme Electrical Infrastructure Failure

Consultation Paper

Submitted by: Alice Gordon

DATE: 27/10/2024



Key Recommendation: Any new compensation scheme must ensure it is both efficiently delivering protection to those who require it, while not adding undue costs for the existing customer base.

Introduction

We thank the South Australian Government for the opportunity to respond to the *Small Claims Compensation Scheme – Electrical Infrastructure Failure - consultation paper*. As the national voice for household and small business energy consumers, we advocate for an energy system that is affordable, clean and reliable, and which recognises the diversity of people's needs.

We welcome the South Australian Government's efforts to enhance consumer protection measures and implement a regulated form of redress for consumers when they incur property (or other) damages due to electrical infrastructure failure. We agree that the current consumer protections are not fit for purpose for the future energy system. South Australia is one of the world leaders in the uptake of Consumer Energy Resources, and it is right that the South Australian Government considers ways to ensure its consumer protections framework is robust and effective.

However, any new compensation scheme must ensure it is both efficiently delivering protection to those who require it, while not adding undue costs for the existing customer base.

The South Australian Government should require the cost of the compensation scheme to be recovered from SA Power Networks shareholders rather than existing consumers.

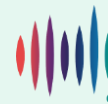
South Australians face the highest electricity bills in the country. The St Vincent de Paul Tariff Tracker found that an average South Australian household electricity bill was over \$1,000 more than the ACT, the jurisdiction with the lowest electricity bills¹. South Australia has seen dramatic increases in energy bills in recent years. While the Australian Energy Regulator reduced the Default Market Offer marginally for 2024-25 for South Australian households, it remains 30% higher than it was in 2021-22². Our Energy Consumer Sentiment Survey finds only 42% of South Australian households are satisfied with the price of their electricity supply³.

Electricity bills include numerous costs that are not directly relevant to the energy being consumed by homes and small businesses. For example, certain jurisdictional green schemes and costs related to renewable energy schemes are currently recovered through electricity bills. Households and small businesses with higher energy consumption will pay a higher proportion of these costs. The ACCC finds

¹ St Vincent de Paul Society, The NEM: Where prices are high and innovation is low, November 2023, available: <https://cms.vinnies.org.au/media/41abmez2/2023-nem-tariff-tracker-where-the-prices-are-high.pdf?path=41abmez2%2F2023-nem-tariff-tracker-where-the-prices-are-high.pdf>

² AER, Default market offer prices final determination, June 2024, available: <https://www.aer.gov.au/system/files/2024-06/AER%20-%20Final%20determination%20-%20Default%20market%20offer%20prices%202024-25%20%28track-changed%20comparison%29%20-%207%20June%202024.pdf>

³ ECA, Energy Consumer Sentiment Survey, June 2024, available: <https://energyconsumersaustralia.com.au/publications/surveys-energy-consumer-sentiment-behaviour>



customers in hardship or on payment plans are more likely to pay these costs as they are less able to afford energy efficiency measures and rooftop solar⁴.

SA Power Networks has proposed it will need \$20 million over the 2025-30 period to deliver a small claims compensation scheme, a cost which they propose to pass through to consumers via their energy bills⁵. We are wary of any new costs that may create further stress for consumers who are already dealing with cost-of-living pressures and rising energy bills.

Any additional cost on energy bills must be prudent and efficient. The costs resulting from the network sending power outside of power quality requirements should not be socialised across all consumers. These costs are not a result of consumer action, but rather result from the network's inability to provide its service within its regulated voltage limits. We therefore encourage the South Australian Government to require the costs of the compensation scheme to be recovered from SA Power Network shareholders, instead of from SA Power Networks customers.

If it is not possible to require SA Power Network shareholders to bear the cost of the compensation scheme, we would still support the scheme, though with less enthusiasm. In such a case, the South Australian Government must monitor the costs of this scheme and ensure they do not rise to unreasonable levels. Equally, the South Australian Government must monitor the kinds of claims that are being made through the scheme. If, for instance, there is a majority of higher income households claiming compensation for more expensive technologies, the consumers in South Australia may not consider it fair to recover such costs from the broader customer base. We understand the South Australian Government will review this scheme after its implementation, and we expect this analysis to form part of that review.

Strengthening drafted protection measures

To strengthen the effectiveness of this scheme we recommend considering the following amendments to the drafted regulatory clauses:

187(2)(c) – *“A complete form must include... the time and date of the claimable incident”*

This should be to the best of the customer's endeavours as pinpointing an exact time and date may be difficult, creating an additional barrier to access for consumers.

187(7) – *“A distributor must use its best endeavours to deal with claims in a timely manner”*

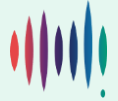
A timeframe should be provided to distributors to clearly define what is meant by a timely manner.

192(5) – *“A distributor is not obliged to compensate a business customer above the median amount where the business customer has not taken reasonable precautions to minimise the risk of property damage.”*

Additionally, we seek further clarification as to why clause 192(5) applies to small businesses. We argue that as a small customer, small businesses should be afforded the same protections and redress measures as residential customers. Recent research by the Council of Small Business Organisations Australia found that rising energy costs have hit small businesses harder than COVID-19 lockdowns,

⁴ ACCC Inquiry into the National Electricity Market, June 2024, available: <https://www.accc.gov.au/system/files/accc-inquiry-national-electricity-market-report-june-2024.pdf>

⁵ SAPN, 2025-30 Regulatory Proposal Overview, January 2024, available: <https://www.aer.gov.au/system/files/2024-02/SAPN%202025-30%20Regulatory%20Proposal%20Overview%20-%20January%202024.pdf>



with more than one in three small businesses having experienced energy hardship in the last 12 months.⁶ All new consumer protections measures must give equal status to the financial needs of small business owners.

This scheme is being proposed in a dynamic and evolving energy environment. Industry, regulators and Governments are grappling with how to protect all consumers from the potential risks of a rapidly transforming energy system while at the same time ensuring affordability. We support the introduction of this scheme, as it indeed may help consumers seek redress in an easy and affordable way. We expect thorough monitoring to ensure it is meeting its objectives and that by doing so, it is not to the detriment of the broader electricity consumer base.

We applaud the South Australian Government, in taking these steps and hope that by developing a clear and robust scheme, other jurisdictions can easily follow suite. If there are any questions with regards to this submission, please contact Alice Gordon (Manager Consumer Advocacy) at alice.gordon@energyconsumersaustralia.com.au.

A handwritten signature in black ink, appearing to read 'Melissa McAuliffe'.

Melissa McAuliffe

Executive Manager, Advocacy and Policy

⁶ COSBOA, Small Steps. Bright Future. Supporting small businesses to net zero and beyond, May 2024, available: <https://www.cosboa.org.au/post/small-steps-bright-future>

**The national voice for residential and
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