Submission to: Australian Energy Regulator
Subject: Distribution Price Reviews, Queensland and South Australia - Response to draft determinations

Submission from UnitingCare Australia
March 2010

Contact:

Susan Helyar
National Director, UnitingCare Australia
Ph: 02 6249 6717
M: 0448 791 987
Fax: 02 6249 8715
email: susan@nat.unitingcare.org.au

Mark Henley
Manager Advocacy and Communications; UnitingCare Wesley Adelaide
email: Mark.Henley@ucwesleyadelaide.org.au
Phone (08) 8202 5135
Mobile 0404 067 011
Ph (h) (08) 8370 1112
Fax (08) 8202 5842
SECTION 1: Introduction

Submission to: Australian Energy Regulator
From: Uniting Care Australia
Subject: Distribution Price Reviews

SECTION 1: Introduction

About Uniting Care Australia

Uniting Care Australia represents Uniting Care services across Australia, and works closely with people dealing with financial stress in urban, regional, rural and remote communities in programs that deliver emergency relief, financial counselling, aged care, mental health, relationship, youth, family support and homelessness services.

Interest in Distribution Pricing

Uniting Care Australia is interested in the breadth of small energy consumers who face potentially difficult circumstances in maintaining access to the essential service of electricity through geographic, income or cultural barriers. This concern extends to residential customers, not-for-profit social services and small business.

In general, the distribution component of consumer energy bills is the largest single element of the five element “price stack” that is incorporated into consumer bills (generation, transmission, distribution, retail [including retailer margin] and GST). Our primary interest is in current and future energy affordability for small energy customers, residential and small business.

The current distribution price reviews, for the Queensland and South Australian distribution businesses of Energex, Ergon and ETSA Utilities, is significant because they are amongst the first such determinations to be made by the Australian Energy Regulator (AER) under the newly established national energy regulatory structures. We are as much interested in the processes for small usage consumer representation, perspective and outcomes as we are in the specific price (specifically aggregate distributor revenue) determinations.

SECTION 2: Energy Affordability

Energy Hardship

UnitingCare Australia raises the issue of energy hardship and affordability as a significant contextual element of these distribution pricing reviews. We recognise that measuring hardship is a function allocated to the AER in the second National Energy Consumer Framework (NECF2) exposure draft, and understand that this is one of the areas for further work by the AER during
2010. (Uniting Care is particularly interested in this piece of future work) However, we would like to refer you to the material presented to the AER by UnitingCare Wesley Adelaide, in their initial response to the ETSA Utilities price path proposal, as important background information for the Queensland and South Australian reviews.

**Electricity**
We highlight the important observation that electricity is an essential service in contemporary society. An Essential Services Charter has been developed by the National Energy Consumers Roundtable, this Charter is supported by Uniting Care Australia and is attached as Appendix 1.

The following discussion considers current challenges with energy affordability for significant numbers of Australian households. We expect that these pressures will be further exacerbated in coming years as the price of energy increases for a range of reasons.

The most recently available Australian Bureau of Statistics (ABS) data on household electricity expenditure is given in Graph 1 below:

![Graph 1: Household Electricity Expenditure as % of Ave Weekly Income, by Quintile 1993/4 - 2003/4, Aust.](source: ABS)

A key observation from this graph is that for the poorest 20% of the Australian (equivalised) income distribution, electricity counted for about 7% of expenditure in 2003/4, whereas electricity expenditure was not much more than 1% of weekly income for the richest 20% of households. Indeed, for about half the population, electricity accounts for less than 2½% of expenditure. Graph 2 shows the household expenditure data from graph 1, for 2003/4 and overlays average electricity use by quintile.

Graph 2 shows that while actual electricity use increases with income, the proportion of household income spent on that electricity decreases sharply
with income. This highly regressive incidence of electricity pricing is a crucial issue that needs to inform the current distribution price reviews, and energy policy more generally. Energy pricing needs to be more equitable than is currently the case.

Financial Stress

Table 1 shows a number of “financial stress” indicators for Australia, and considers the poorest 30% of the household income distribution, against the remaining 70% of the income distribution, using eight financial stress indicators. The data is taken from the 2003/4 ABS household expenditure survey and was reported in the ABS’ Australia’s Social Trends 2007.

<table>
<thead>
<tr>
<th>Financial Stress Measure</th>
<th>Poorest 30%</th>
<th>Other 70%</th>
<th>All households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can’t raise $2000</td>
<td>52.1</td>
<td>8.6</td>
<td>14.3</td>
</tr>
<tr>
<td>Can’t Pay Electricity on time</td>
<td>37.8</td>
<td>11.5</td>
<td>14.9</td>
</tr>
<tr>
<td>Can’t pay car rego</td>
<td>13.5</td>
<td>4.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Pawned or sold</td>
<td>11.7</td>
<td>2.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Went without meals</td>
<td>11.8</td>
<td>1.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Unable to heat home</td>
<td>8.9</td>
<td>1.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Sought Welfare Help</td>
<td>14.7</td>
<td>1.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Borrow from friends / family</td>
<td>26.4</td>
<td>7.8</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Table 1, Source ABS

Information from this table is presented in Graph 3. Of particular relevance to this discussion is the observation that 38% (rounded) of the poorest 30% of Australia’s households were unable to pay electricity bills on time, due to financial stress, while 15% (rounded) of Australia’s total population were unable to pay for electricity on time, a significant indicator of financial stress. Also worthy of note is that, considering the whole Australian population, inability to pay electricity bills on time was the most common indicator of
financial stress, in 2003-04. It is most likely that a higher proportion of the population would now be unable to pay electricity bills on time, because electricity costs have grown at a much faster rate than CPI or minimum wages.

**Graph 3 Source ABS**

**Impacts of Full Retail Contestability (FRC)**

We note that in South Australia, the introduction of FRC for electricity resulted in immediate increases of over 25% in electricity bills for residential consumers. This translates to an even higher increase in proportion of household income required to meet electricity costs for lower quintile consumers. Electricity costs have continued to rise at rates greater than CPI, in the years following the introduction of FRC. Price shocks for energy supply are felt, almost exclusively, by low income and disadvantaged households.

In July / August 2004, soon after the impacts of major electricity price increases in SA, UnitingCare Wesley Adelaide conducted a survey of financial counselling clients and one of the questions asked was: “what of the following items have you reduced spending on due to electricity price increases?”

Responses included:

- Food: 50%
- Clothing: 87%
- Holidays: 83%
- Movies: 80%
- Sport and culture: 80%
- Telephone: 53%
Rising energy costs lead to deprivation of other essential items for low income households. We also note that a vast majority of low income households pay utility bills and rent as their priorities, ahead of food and medications. So for some low income households, paying utility bills means going hungry or remaining ill.

**Electricity Price Rises, last decade**

Over the past decade, electricity prices have risen at a much higher rate than the Consumer Price Index, (CPI) the measure broadly used to reflect levels of price increases.

Setting CPI component values for the March quarter of 1999 at an index value of 100, graph 4 plots the change in index value for the following decade, to March 2009, for electricity and utilities in aggregate and compares them to minimum wages (South Australia) and CPI (all groups CPI).

We highlight that minimum wages have closely followed CPI changes and that utilities are closely linked with price changes in electricity. The series for electricity, in particular, shows the sharp increase in electricity prices that residential customers experienced with the introduction of FRC in South Australia, taking effect in 2003. The series for electricity also shows that electricity price rises have risen steadily since 2006. The peaks in the graph reflect the higher bills for electricity associated with summer in South Australia and recorded in the March quarter data.

![CPI and Minimum Wage SA](image)

*Graph 4, Data Source, ABS, CPI, Cat No 6401.0*  
*Updating estimates*
With the most recent, rigorous data set of household energy costs (the Household Expenditure Survey) now being six years old, we have attempted to estimate current household electricity expenditure in the light of the significant increases in electricity costs that consumers have experienced over the last five to six years. We have used both data from the ABS, CPI data and pricing information from the Essential Services Commission in South Australia.

We suggest that the poorest quintile households in Australia, who were paying about 8% of the household income on electricity in 2003, are now likely to be paying between 11-12% of household disposable income on electricity.

We conclude the following about electricity affordability changes over the past decade:

- The price of electricity for households has grown at double the rate of CPI over the last decade
- Energy prices are highly income sensitive; the lower the household income the more dire the impact of energy price rises.
- Low income households generally use less electricity than higher income households

Future Electricity Costs
Looking to the end of the 2010-15 period, we identify a number of factors that will increase the cost of electricity to consumers, including:

- Global demand for energy; in particular gas, which will be an increasingly important fuel for electricity generation; the price of gas and hence electricity will rise as global demand pushes energy prices higher.
- Potential ongoing impacts of the drought which has reduced hydro-electricity generation for the national grid, and has increased the cost of operating some generation facilities which need freshwater for effective operation. Also there is considerable demand for electricity to pump water.
- Energy efficiency measures; in the form of regulatory requirements placed on retailers, who then ‘smear’ the cost of the program across all consumers.
- Feed-in tariffs which encourage households to utilise renewable energy and therefore have an important role to play. However, in equity terms, these policies can mean that low income households, who are unable to contemplate the costs of domestic solar or wind generation, end up subsidising higher income households. This occurs where the value of feed-in tariffs are recovered from electricity charges.
- Regulatory costs
- The introduction of the Carbon Pollution Reduction Scheme (CPRS) or a similar program. Uniting Care is strongly supportive of strategies to reduce greenhouse gas emissions, and recognises that the generation of standing energy is the single largest contributor to greenhouse gas emissions.
emissions. We also accept the national government’s commitment to compensate households for CPRS impacts. However, we also recognise that there is the potential for indirect cost impacts on lower income households from climate change policies.

We suggest that a ‘status quo’ average electricity price increase for households of 50%, in real terms, over the next five-year period, is highly likely, this excludes any CPRS impact. We recognise that the Australian Government has committed to returning CPRS based energy increases to households

Low wage consumers
At the same time, income increases for low and modest income households are likely to be relatively low. The Fair Pay Commission has ruled that workers on minimum wages, under national awards, are not entitled to any pay increase over the current 12 months, 2009/10. Significant numbers of casual workers, in particular, are also losing hours of work, for example 1.5 million hours of work were lost in July 2009 nationally, hours of work levels are still returning to pre-GFC levels. The trajectory for recovery from the global economic crisis is uncertain. While we suggest that GDP growth will be between 3.5% and 5% from around years 2012-15, income growth will lag behind economic recovery, real wages for lower income workers are unlikely to ‘catch up’ even once economic growth picks up.

It is therefore likely that nominal wages will rise very slowly for lowest income households over the next two to three years, with the potential for some pickup in pay rates and hours worked beyond 2012. This means that low income households are probably facing a decline in real wages for at least the first half of the price review period.

It is not unreasonable, therefore, to suggest that lowest income quintile households in could be paying 12-16% of their disposable income on electricity costs by 2015, while the second quintile households could be paying 7-8%, on average, of household disposable income for electricity. We cannot estimate the impact this will have on financial stress measures, but can be certain that increases in energy costs will significantly increase financial stress for more Australian households.

There is no generally accepted measure for ‘energy stress’ in Australia, however, in the UK, a household needing to pay 10%, or more, of their income for heating is regarded as facing ‘fuel poverty’. Using a 10% of household disposable income needing to be spent on the essential service of electricity as a ‘rough’ measure for ‘energy stress’ in Australia (and more work is needed on this matter), then it is likely that over 20% (and probably nearer 30%) of Australian households are likely to be facing ‘energy stress’ by 2015.

Australia now faces the very real spectre of electricity prices being a significant driver of poverty. This dramatic conclusion cannot be ignored in determining future regulated price paths for energy, particularly the essential service of electricity for which there is no ready substitute.
Framework for Energy Affordability

Recognising that there is no simple solution to the challenge of maintaining affordable and prudent use of energy, Uniting Care is committed to an energy affordability framework that includes four broad policy and program instruments that in combination can help to make energy affordable, particularly for classes of customers who may struggle to maintain reliable supply, particularly people in rural communities and older households. This energy affordability framework applies across the energy market, with different elements having differing areas of responsibility for implementation.

The four elements of the energy affordability framework being:

1. consumer protection
2. energy efficiency
3. pricing
4. concessions

Consumer Protection
Regulation and compliance arrangements are needed to ensure that energy provision is safe. Consumer protection requires standards to be made in areas including: billing, information provision, metering, supply, marketing complaints

Energy efficiency
This element relates to both demand management strategies, namely consumer’s ability to use energy more efficiently, and to energy-efficient design, particularly for housing but also for electrical appliances, including air-conditioning and hot water.

Note that we regard environmental sustainability matters, e.g CPRS and RET’s being considered under this element of our framework, specifically where environmental sustainability factors and energy affordability intersect.

Pricing
This element of the framework relates to both collections of aggregate regulated revenues for companies operating natural monopolies, as well as businesses competing in energy markets. This element includes tariff design and tariff structure as they relate to individual consumers and their bills.

We recognise that tariff design will always be a compromise between the generally competing objectives of:

- efficient collection of revenue for both regulated and competing energy businesses
- price signals to reflect the real cost of energy division, including environmental costs, specifically, the current circumstances, the cost of carbon in all elements of energy supply, but particularly in the generation of electricity.
- affordability for the essential service of energy, specifically for consumers who may face difficulty in being able to afford reliable supply.
Concessions
Uniting Care believes that concessions should be adjustments that occur to ensure affordability for small customers, once consumer protection, energy efficiency and pricing factors have been utilised as effectively as possible. Concessions invariably lag real costs to customers and are politically difficult to target in a cost effective manner.

Section 3. Distribution Price Reviews

In general, Uniting Care Australia considers that the processes to date for the Queensland and South Australia distribution price reviews have been fair, open and rigorous. We are not well placed to respond specifically to the technical elements of the review process and so we have limited comments, at this time, about the draft determinations or distributor’s (revised) submissions and the work of the various consultants appointed to these reviews by the AER.

As a focus for this section, and hence our specific responses to the distribution reviews, there is merit in considering the distribution review process against the energy affordability framework that we summarised above.

Application of Energy Affordability Framework to Distribution Pricing

Considering these elements in turn, with respect to the current distribution pricing reviews, and other developments in energy policy and regulation:

Consumer protection
This element of our framework is not a significant factor for the distribution reviews, and is currently being considered directly through the framing of the National Energy Customer Framework. The NECF2 includes consideration of distributor - customer relationships and that is the appropriate place for them to be considered.

We note that there are some elements of NECF2 that impact on distributors, including metering / connection, including smart meters, provision of information to customers, RoLR (in SA) and distributor retailer relationships, where we are particularly interested in tariff structures and in particular bundling and unbundling. This issue is considered later in this submission.

Energy Efficiency
While not the major focus of distribution pricing, we consider the demand management element of energy efficiency to be an important aspect of distribution pricing and so we turn to this matter in the next section

Pricing
This element of our framework is directly relevant to distribution price reviews and is also considered in the next section

Concessions
This element is of minor relevance to distribution pricing, being primarily the responsibility of jurisdictional governments with some implications for retailers in relation to their hardship programs.

Consequently our specific comments for the distribution price reviews relate to energy efficiency and pricing.

**Energy Efficiency**

Noting the widely held view that energy prices will rise at a significantly greater rate than CPI over the life of the distribution price paths that are being set, and noting the substantial public debates both in Australia and globally about greenhouse gas emissions, we consider that the draft decisions are inadequate in their requirements of distributors to share leadership in demand management strategies.

Table 1 summarises aggregate expected revenues and proposed regulated demand management budget for the 5 year period for the three distributors under concurrent consideration in Queensland and South Australia, the percentage of revenue allocated to demand management is given in the third column.

Table 1, Aggregate Expected Revenue and Demand Management estimates, 2010/11 – 2014/15, Q’land and SA Distributors, $m

<table>
<thead>
<tr>
<th></th>
<th>Expected Revenue (ER)</th>
<th>Demand Management (DM) Expenditure</th>
<th>DM/ER %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ergon</td>
<td>6,365.5</td>
<td>5.0</td>
<td>0.078</td>
</tr>
<tr>
<td>Energex</td>
<td>7,153.5</td>
<td>5.0</td>
<td>0.069</td>
</tr>
<tr>
<td>ETSA Utilities</td>
<td>3,548.1</td>
<td>3.0</td>
<td>0.084</td>
</tr>
</tbody>
</table>

Data Source, AER Draft decisions, 25/11/2009

While the provisions for demand management are similar for each of the three distribution businesses, a total of $13 million demand management expenditure, over 2 states, from revenue base of $17 billion, over five years, could be considered to be miserly.

We recognise that there is no established benchmark for demand management expenditure as a percentage of revenue. We are also convinced that there is significant potential for substantial cost savings for future CAPEX through sensible demand management strategies. We also regard demand management to be a significant component of distributor business research and development. We suggest that very few successful billion dollar businesses would have an R&D budget below 1% of revenue, so perhaps this is a useful starting point for benchmark consideration. Demand management should be regarded as the most important R&D matter for distribution businesses.

Given the importance of demand management, we suggest that careful consideration be given to a benchmark of demand management expenditure being 0.2% of expected revenue, for distribution businesses. We recognise...
that this is an intuitive rather than a formulaic derivation, but still consider it to be of appropriate order of magnitude, though well below a modest 1% R&D benchmark we mention above. We suggest that the 0.2% benchmark be set as the level of demand management expenditure for the final year of this price path period. A benchmark of 0.08%, could be set for the first year, 2010/11, with appropriate incremental increases for years 2, 3 and 4.

The distribution businesses would need to submit their demand management strategies to the AER for approval and then have their implementation audited annually.

**Pricing**

We observe that both price setting processes (Queensland and SA) follow the recent trend of substantial price increases for the distribution component of electricity bills. This substantial and ongoing rise in distribution costs has significant impacts on customers particularly lower income rural, aged and disadvantaged households. We recognise that a number of the cost pressures are beyond the direct control of distribution businesses or regulators, however considerable attention needs to be given to consideration of ameliorating distribution price shocks for residential and small business customers.

We recognise there is no easy answer, but pose the public policy question, which is beyond the scope of these reviews but warrants MCE policy consideration; that question being the appropriateness of funding all energy infrastructure directly from energy consumers? We observe that other major infrastructure is not fully funded by customers, rather there is an element of taxpayer funds allocated to major national infrastructure, for example transport and telecommunications. Road users do not bear the full cost of extending road infrastructure, nor, we argue, should residential and small business customers disproportionately bear the cost of essential, new distribution network investment and the repair and upgrade major distribution (and transmission) infrastructure. Is it fair for income households in Elizabeth, Logan city, Gladstone or Whyalla, for example, to be paying for improved reliability of supply for central business districts?

We encourage the AER to raise this policy question with the MCE.

In considering the two distribution price reviews, we observe that considerable attention is rightly given, by the process, to determining the aggregate regulated income for specific distribution businesses. The equally important question of how this revenue is collected is a much shorter, and we suggest less rigorous, process, under current arrangements.

Of particular interest is the incidence of pricing burden on various customer classes. We understand the following table to be an indication of possible revenue from different customer classes over the price path period, for South Australia. It would appear that there could be an increased burden on residential households over the 5 year period, which would create greater financial burden for lower income households in general and in rural
communities in particular, where incomes generally are lower that in capital cities.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$268,321,013</td>
<td>$310,487,762</td>
<td>$335,136,633</td>
<td>$373,991,152</td>
<td>$417,569,103</td>
<td>$467,709,957</td>
</tr>
<tr>
<td>Residential Off Peak</td>
<td>$10,460,666</td>
<td>$12,431,614</td>
<td>$12,348,028</td>
<td>$12,692,714</td>
<td>$12,929,369</td>
<td>$13,029,556</td>
</tr>
<tr>
<td>Smallish Business</td>
<td>$143,843,626</td>
<td>$147,605,055</td>
<td>$134,534,680</td>
<td>$151,355,933</td>
<td>$173,812,957</td>
<td>$199,009,174</td>
</tr>
<tr>
<td>Smallish Business Off Peak</td>
<td>$277,540</td>
<td>$329,833</td>
<td>$327,616</td>
<td>$336,761</td>
<td>$343,040</td>
<td>$345,698</td>
</tr>
</tbody>
</table>

Source ETSA Utilities Revised Regulatory Proposal

We suggest that the tariff structures for different customer classes that are determined to generate the aggregate regulating revenue needs a process with greater consumer representation and engagement. It is possible to develop tariffs that do not place an unfairly high incidence on lower income customers and which share the burden more equitably between large business, small-business and different household income quintiles. Currently residential households pay a greater revenue share for electricity than their use share of total consumption.

(Perhaps in considering hardship indicators, a Gini coefficient type methodology could be applied to energy pricing, with the Lorenz Curve tracing relationship between share of energy use and share of energy billed, by income. The resultant Gini coefficient would be a useful benchmark for energy billing fairness).

An example of poor current tariff structures is indicated by the regular complaints received by Uniting Care agencies from households of older people, who complain that their electricity bills are high and rising, despite their meagre electricity consumption. This inequity is a function of (flat) supply changes which adversely impact on lower income, lower use households.

This is one example of poor tariff design.

We urge the AER to work with consumer groups and distribution companies to develop fairer tariff offerings.

Uniting Care Australia is keen to work with the AER and distributors to consider changes in the process for distribution price paths, to enable greater consideration of the fairness of tariffs paid by different customer classes.

A related issue concerns the relationship between distribution businesses and retailers, since retailer bills do not necessarily reflect the tariff shape from distribution businesses. The practice of “bundling” tariffs can also contribute to the disproportionately high percentage of income spent on electricity by lower income customers. This is another issue which perhaps needs to be
dealt with through the distribution business – retailer relationships as considered in NECF2.

Summary
Uniting Care Australia believes that the draft decision positions developed by the AER for Ergon, Energex and ETSA Utilities for the 2010-15 period are reasonable compromises between the competing objectives.

Regarding the regulated aggregate revenues, Uniting Care Australia believes that the parties have undervalued the importance of demand management strategies being both implemented and further refined by distribution businesses, and so a higher demand management allocation is proposed.

Considering the process of the reviews, Uniting Care Australia contends that the process does not give adequate attention to the development of tariffs for different customer classes, once the aggregate regulated revenue for distribution businesses has been determined.

For comment of further information please contact

Mark Henley
Mark.henley@ucwesleyadelaide.org.au
Ph 0404 067 011
Charter of Principles for Energy Supply
(As developed by the National Energy Consumers Roundtable)

Energy supply should be:

SUSTAINABLE

Sustainability - Energy supplies should be derived from a secure mix of sources, including renewable energy sources. Energy should be produced, distributed and consumed in an efficient manner so that energy demand is minimised and energy supply provides beneficial social and environmental outcomes.

ACCESSIBLE

Equity - Energy services should be provided to all people equitably so that pricing and service standards do not discriminate against people according to their geographic location.

AFFORDABLE

Affordability - Energy should be affordable for all consumers. Energy supply should not be denied to any consumer on the basis of financial hardship or other circumstances of vulnerability.

APPROPRIATE

- Quality - Energy supply should be of a high-quality appropriate to the intended purpose at its point of consumption.
- Safety - Energy consumers should be protected from any dangers in the provision of energy services.
- Reliability - Energy supply should be reliable and aim to ensure an uninterrupted delivery of supply, as far as practicably possible

ACCOUNTABLE

- Respect - Energy services should be delivered in a way that respects all consumers and their diversity of needs and capacity to participate in an energy market.
- Information - Energy consumers should have access to information about energy services that empowers them to make informed choices and to negotiate their interests with service providers.
- Rights - Energy consumers have rights to use energy for ensuring adequate standards of living and social participation. These rights are recognised in international human rights standards.
- Privacy - Information about consumers held by service providers should be treated with care and shared only with prior permission.
- Redress - Energy consumers should have access to free, fair and independent services for complaints resolution.
- Representation - Energy consumers ought to be supported to have their interests represented and be able to participate in consultation and decision-making processes.
Appendix 1

CHARTER OF PRINCIPLES FOR ESSENTIAL SERVICES

ESSENTIALITY OF SERVICE

Energy is an essential service because it meets basic needs of shelter, food and health and also contributes to education, social participation, recreation, rights,
Affordability and universal access for consumers must always be a prime consideration of policy makers because citizens health, wellbeing and social participation is compromised without supply

PRINCIPLES OF SERVICE

Affordability - Energy should be affordable for all consumers. Energy supply must be assured and never denied to any consumers on the basis of their capacity to pay, financial hardship or vulnerable circumstances.

Information – Energy consumers should have access to information about their energy services, be able to access education to support and empower them to be able to make informed choices about their energy consumption and to negotiate their interests with their service provider.

Universality - all citizens need access to the good or service, at least to a pre-determined (regulated) level, irrespective of where they live.

Representation – Energy consumers ought to be supported to have their interests represented and be able to participate in decision-making consultation processes.

Rights – Energy consumers have a right to use energy as an essential service for ensuring adequate standards of living and social participation. These rights are recognised in international Human Rights standards accepted by Australian governments and must be upheld.

Equity – Energy services should be provided to all people equitably so that pricing and service standards to not discriminate people according to their geographic location.

Respect - Energy services should be delivered in a way that respects all consumers and their diversity of needs and capacity to participate in an energy market.

Safety – Energy consumers should be protected from any dangers in the provision of energy services.
**Quality** - Energy supply should be of a high quality appropriate to the purpose at its point of consumption.

**Reliability** - Energy supply should be reliable and aim to ensure a continuous, uninterrupted delivery of supply, as far as practicably possible.

**Sustainability** - Energy should be sustainable and derived from an appropriately secure mix of sources, including renewable energy sources. Energy should be distributed and consumed in an efficient manner so that energy demand reflects energy needs and provides beneficial social and environmental outcomes.

**Redress** – Energy consumers should have access to free, fair and independent services for complaints resolution and compensation.

**RESPONSIBILITIES OF SERVICE**

**Responsibilities of Government**

- To secure universal access to safe, reliable, and affordable energy for all Australian citizens, including through the provision of appropriate and adequate assistance to vulnerable consumers
- To ensure the public interest guides all decisions made in relation to energy policy and regulation
  - Energy should be provided at lowest cost, including external costs such as environmental, public health and social and economic impacts.
- To design and maintain a regulatory regime that ensures the interests of citizens are adequately heard and addressed
  - which is explicitly charged with protecting the economic, social and environmental interests of Australian consumers; and
  - which supplants market mechanisms that do not benefit the public interest.
- To be responsive to emerging issues and to ensure timely and appropriate action can be taken to redress systemic problems and disadvantage
- To ensure that decisions made with regard to energy are made at the most accessible level of government, in consultation with citizens to maximize public participation in the decision-making process and to make decision-makers accountable to public interest objectives.
- To actively promote improved energy efficiency and increased use of renewable resources, including through the removal of market or regulatory barriers.

**Responsibilities of Industry**

- To treat consumers equitably and with respect
- To ensure that marketing of energy products is undertaken responsibly and sales personnel are adequately trained.
• To ensure effective, best practice programs for hardship are in place, by
  o assisting customers experiencing financial hardship to manage their payments for the supply of energy or water so as to ensure they remain connected to supply,
  o creating an informative, respectful and engaging environment where customers requiring support can identify themselves to retailers, and
  o utilizing relevant industry and community expertise with respect to hardship.
• To have in place effective internal dispute resolution procedures that meet Australian Standards
  o And to be members of effective external dispute resolution schemes
• To ensure they have mechanisms in place to engage effectively with consumers and their representatives
  o So that emerging problems are identified and resolved quickly
  o To ensure longer-term planning is guided by consumer needs and the public interest.

Responsibilities of Consumers

• To ensure there is a current contract in place with an energy retailer to provide supply
• To use their best endeavours to pay energy bills on time and in full
• To alert the energy company at the earliest possible time when experiencing difficulties in meeting the costs of energy
  o And, where available and appropriate, to seek Government assisted
• To use energy responsibly, recognizing the environmental costs of the service
• To report faults to the relevant electricity business as soon as possible