



COVER SHEET FOR SUBMISSIONS

Independent Review into the Future Security of the National Electricity Market

Overview

Please include this cover sheet with your submission on the Preliminary Report of the Independent Review into the Future Security of the National Electricity Market.

Background

The Preliminary Report outlines the Panel's observations about the current state of the NEM and offers questions on the major issues the Panel has identified. The questions are designed to elicit suggestions or answers that may help form the Panel's final recommendations.

The Preliminary Report serves as an issues paper for broad public consultation. As such, the questions and views will be subject to further consideration and discussion, in anticipation of the final blueprint being produced in 2017.

Stakeholders are encouraged to keep their submissions as succinct as possible, and include a one-page executive summary.

Contact Details

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| Name of Organisation (where applicable) | Tasmanian Council of Social Services (TasCOSS) |
| Name of Author | Kym Goodes (CEO) |
| Phone Number (optional) | 03 6231 0755 |
| Email | kym@tascoss.org.au |
| Address | PO Box 1126 Sandy Bay Tas 7006 |
| Website (optional) | www.tascoss.org.au |



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Do you want this submission to be treated as confidential? Yes No

Submission Instructions

The submission period will be open until close of business on Tuesday **21 February 2017**.

All submissions should be emailed to the NEM Security Review at the mailbox:
NEMSecurityReview@environment.gov.au

Submission to the Independent Review into the Future Security of the National Electricity Market

3 March 2017

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to comment on the Preliminary Report (released December 2016) of the *Independent Review into the Future Security of the National Electricity Market*.

TasCOSS is the peak body for the community services sector in Tasmania and advocates for the interests of the sector and of the vulnerable and disadvantaged Tasmanians that the sector supports. The cost of energy has long been a major budgetary challenge for many Tasmanian households living on low incomes, and is therefore a focus of TasCOSS concern and advocacy.

TasCOSS is pleased to note the Preliminary Report's recognition that "It is important that vulnerable customers are not left behind or required to incur increased costs to subsidise households or businesses that are able to invest in new technologies."¹

Below, TasCOSS makes brief comments on the consultation questions that focus on vulnerable and disadvantaged household consumers from the Report's *Chapter 2 Consumers are Driving Change* (questions 2.1 and 2.2) and to question 6.4.1 (What outcomes of competition should we monitor?).

2.1 How do we ensure that consumers retain choice and control through the transition?

Energy services are essential services for households. In our view, for all households, especially those including vulnerable consumers, it is better to have one affordable option that meets the household needs, than to have an array of choices where none delivers affordability or meets needs. Appropriate safeguards and safety net provisions are necessary elements of any system of choices.

Some people will have minimal or no choice

At present, and likely into the future, some electricity consumers have minimal or no choice and control. In Tasmania, for example, there is only one electricity retailer serving residential customers.

Renters may also be excluded from choice, by contract or tenancy arrangement. Renters are a consumer group that includes many vulnerable and low-income households.

There is also a risk that vulnerable, low-income and disadvantaged customers will be left behind as new technologies, complex tariffs and emerging business models potentially widen the gap between those who can engage in choice and opportunities, and those who cannot.

Electricity consumers who lack access to or capacity to use new technologies that facilitate choice should not be left behind or penalised. Any focus on promoting consumer choice needs also to ensure the most vulnerable are protected from adverse or unintended consequences of choices.

¹ *Preliminary Report of the Independent Review into the Future Security of the National Electricity Market*, Commonwealth of Australia 2016 p. 18.

Choice may not be a benefit to vulnerable consumers

For some consumers, choice may be confusing and burdensome, rather than beneficial and empowering. Choice may lead to negative outcomes, even catastrophe when people don't get it right. The consequences of a "wrong choice" include financial detriment and disconnection, leaving households without essentials such as heating/cooling or money for food. An environment that promotes choices can leave consumers vulnerable to retailers who present a deal that is superficially attractive, but ultimately leaves the consumer paying more for the energy they need.

No amount of choice will eliminate the significant asymmetry of resources, information and technical understanding between vulnerable consumers and those who provide their energy needs. Consumer protection needs to be embedded in all parts of the energy retail market, with no gaps.

2.2 How do we best meet the needs of vulnerable and hardship consumers?

Meeting the needs of vulnerable consumers requires a safety net default, a robust framework of representation, and effective oversight of outcomes for consumers, especially during times of rapid and complex change.

Default "best deal" for vulnerable consumers

Vulnerable consumers are at risk of making choices, or being subjected to choices made by others (landlords for example), that leave them worse off. If no-one is to be left behind, then tariff options need to be designed to mitigate this risk. One option is that energy tariffs default to a basic and cheap tariff. It is important that vulnerable customers are connected to the 'best deal' so that the concession to which they are entitled is not negated by an inappropriate or excessive tariff.

Ensuring that no household is disconnected from essential energy services simply for inability to pay will help to meet the needs of vulnerable consumers. This is the role of retailers' hardship programs, government concessions and robust community-based support networks and services.

Representation for vulnerable customers

Ensuring that vulnerable consumers are effectively represented in all reform and review processes will help to mitigate the risk that they will be left behind or overlooked in a complex dynamic environment of competing concerns.

Monitoring, evaluating and responding to outcomes for vulnerable customers

Customer outcomes, especially for vulnerable consumers, need to be regularly and consistently monitored and evaluated. If and when adverse or unforeseen circumstances arise, appropriate pathways must be in place to ensure systemic protections continue to fulfil their intended purpose, for example of providing an affordable option to consumers in hardship.

Providing information in appropriate and accessible forms

Consumers need to be well informed about the likely costs of different electricity offers, whether they are choosing between providers or tariffs. Not everyone will have access to or skills to use options such as online price comparison instruments, so the onus must be on providers to ensure that all customers have the information they need. This means clear, plain English explanations of the charges, how different patterns of use can affect the final cost, advice about the likely results of the different options for their own or similar households, and access to assistance such as interpreting services where this is needed.

6.4 How can we ensure that competitive retail markets are working?

6.4.1 What outcomes of competition should we monitor?

Outcomes for vulnerable consumers should be monitored systematically. Affordability, demand for and uptake of concessions and hardship programs, effectiveness and appropriateness of retailer hardship programs are all indicators of whether and how well a competitive market is delivering benefits to the most vulnerable consumers. As the market changes, there may be other indicators. Undesirable outcomes such as an increase in disconnections for vulnerable consumers (following a change such as roll-out of smart meters) need to be tracked and remedied if necessary.

Conclusion

TasCOSS appreciates the Review's explicit consideration of vulnerable customers as part of its deliberation. We hope this Review and its consultation process will achieve positive outcomes for system security, reliability and access, including affordability of supply.

The TasCOSS Energy Advocacy & Research project is funded by Energy Consumers Australia Limited (www.energyconsumersaustralia.com.au) as part of its grants process for consumer advocacy project and research projects for the benefit of consumers of electricity and natural gas.

The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.