

AEMC Power of Choice – Stage 3 DSP Review  
Australian Energy Market Commission  
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Dear Commissioners,

As the peak body for community services in South Australia, the South Australian Council of Social Service (SACOSS) welcomes the opportunity to make a brief submission to the *Power of choice - giving consumers options in the way they use electricity Draft Report* (The Draft Report). In particular we would like to acknowledge the Commission's efforts in explicitly addressing issues relevant to vulnerable consumers and also in specifically addressing some of the matters raised in the earlier SACOSS submission (dated 30 April 2012).

The Draft Report's consideration of "Managing the impacts on vulnerable consumers" (AEMC, 2012 p96) includes making time-varying tariffs optional for consumers with limited capacity to respond. SACOSS acknowledges that improved price signals for consumption in the market are important for the situations where consumers are freely exercising choice in their consumptive habits. In the South Australian context at least, these price signals will need to result in the collective response to summer cooling, the underlying driver of the local peak demand phenomenon, for there to be any substantial long-run dividend to consumers.

As stated previously we are concerned that a number of our constituency are not well equipped to exercise choice in terms of the end use without inadvertently choosing to compromise their health and well-being. However, we also acknowledge that a significant number of households can make important choices in this end-use (certainly over the medium to longer term) that should see efficiencies captured through improved summer-performance of housing and the approach to air-conditioner specification and use. The complementary roles of price signals and direct load control would be examples of this.

Acknowledging this, SACOSS is able to provide conditional support to the approach proposed of a gradual introduction of interval metering and time-of use pricing – albeit at a conceptual level only since it is too early to comment on the efficacy and efficiency of particular pricing packages. However, it must be emphasised that this conditional support also depends on the effective implementation of the Draft Report's complementary recommendations, i.e. that:

- *Government programs target advice and assistance to these consumers to help manage their consumption*
- and
- *Governments review their energy concession schemes so that they are appropriately targeted*

We respectfully ask the Commission to advocate for a formal commitment from government to adopt these complementary recommendations **before** implementation of pricing reforms.

The above complementary recommendations are viewed by SACOSS as reasonable and it is noted that they do strive to offer an integrated and comprehensive policy response. However, SACOSS is concerned about the scenarios where governments don't agree to do this or do agree but then don't do it well. Will the AEMC hold back on implementing pricing reforms until they do?

Energy Market reform has a rather un-impressive record when it comes to ensuring social policy and energy efficiency policy keep pace with energy pricing outcomes for consumers. The closest we have seen to an example of where there has been some deliberate integration of policy domains has been the implementation of the Australian Government's Clean Energy Futures package. The introduction of a carbon price into the economy (and into the electricity market in particular) has been accompanied by the Household Assistance package that targeted lower income earners and by a number of energy efficiency and energy information programs, some of which have also targeted households more likely to be put at greater risk of disconnection due to the uplift in energy prices. These programs include the Low-Income Energy Efficiency Program (LIEEP) and the Household Energy Savers Scheme (HESS).

It is too early to judge the adequacy, efficacy or efficiency of the Household Assistance Package, the LIEEP and HESS but it is at least a genuine attempt to inject a price signal into the market without radically impacting affordability for the most vulnerable. The SACOSS view that energy and social policy must be well integrated underlines our proposal that the Commission advocate for a formal commitment from government to adopt the complementary recommendations *before* implementation of pricing reforms.

In relation to SACOSS's specific proposal for the use of load-profiling to improve allocative efficiency for the identified cohort of public housing tenants, we appreciate the consideration given and have contacted Oakley Greenwood in relation to their positive assessment and report. We still believe the proposal has merit and, further, that it is not incompatible with the general approach being proposed by the Commission.

The phased introduction of Advanced Metering Infrastructure (AMI) and time-of-use pricing starting with the largest consumers is a pragmatic solution to a complex issue. It is our view that the cohort referenced in our earlier submission would almost universally sit in Band 3, the 'opt-in' group. On this basis we will continue to develop the concept that it may be more cost efficient for this cohort to 'opt-in' as a group using a sample of meters to generate a distinct load profile rather than opt-in via the expense of over 50,000 meters. We also acknowledge that AMI has other functionality that may provide benefits to these customers. However, some functionality also presents risks and we will be assessing this further as consumer protections are developed.

Overall, SACOSS supports the notion of a phased introduction rather than a compulsory roll-out. A focus on Network pricing is logical albeit open to dilution of the price signal by retailers. It is unclear how this interaction might unfold in practice. The use of three 'bands' that are treated as 'opt-in', 'opt-out' and 'compulsory' for AMI and time-of use network tariffs is considered reasonable.

In relation to the setting of the thresholds for these bands, SACOSS would contend that this needs to be jurisdiction specific and would require access to much more granular consumption data than we are able to access in the public domain before we could form a view on details.

SACOSS would certainly support the draft recommendation (at 6.3.6, p105) that distribution businesses are required to consult with consumer groups on their proposed tariff structures each year. In doing so we would like to make the Commission aware that SA Power Networks (formerly ETSA Utilities) engages with SACOSS and other consumers quite regularly in this regard and we are confident that implementing this recommendation would formalise for us what is an important, and historically constructive, dialogue.

In summary, SACOSS has not been able to respond to all of the matters raised in the Draft Report and acknowledge that much more detailed work is required. However, SACOSS is of the view that the Commission's broad approach is pragmatic and appears to be a workable approach to a complex matter. As SACOSS's support is conditional on firm commitments from governments on complementary public policy initiatives in terms of energy efficiency and social policy, we look forward to participating in the related future consultations and engagements.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ross Womersley', written in a cursive style.

Ross Womersley  
Executive Director