



Listen Assist Resolve

19 March 2015

Australian Energy Market Commission
PO BOX A2449
SYDNEY SOUTH NSW 1235

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Re: Australian Energy Market Commission (AEMC) 202015 Demand Management Incentive Scheme, Consultation Paper, 19 February 2015, Sydney

Dear Sir/Madam

Thank you for the opportunity to comment on the AEMC's *Demand Management Incentive Scheme Consultation Paper* (the Consultation Paper).

As an industry-based external dispute resolution scheme, the Energy and Water Ombudsman (Victoria) (EWOV) provides alternative dispute resolution services to Victorian energy and water customers by receiving, investigating and facilitating the resolution of complaints.

EWOV understands that the overall objective of the proposed rule change is to benefit electricity customers through lower prices by incentivising electricity distributors to find innovative ways of reducing demand on the network. Based on this understanding and EWOV's case handling experience, we provide the following comments.

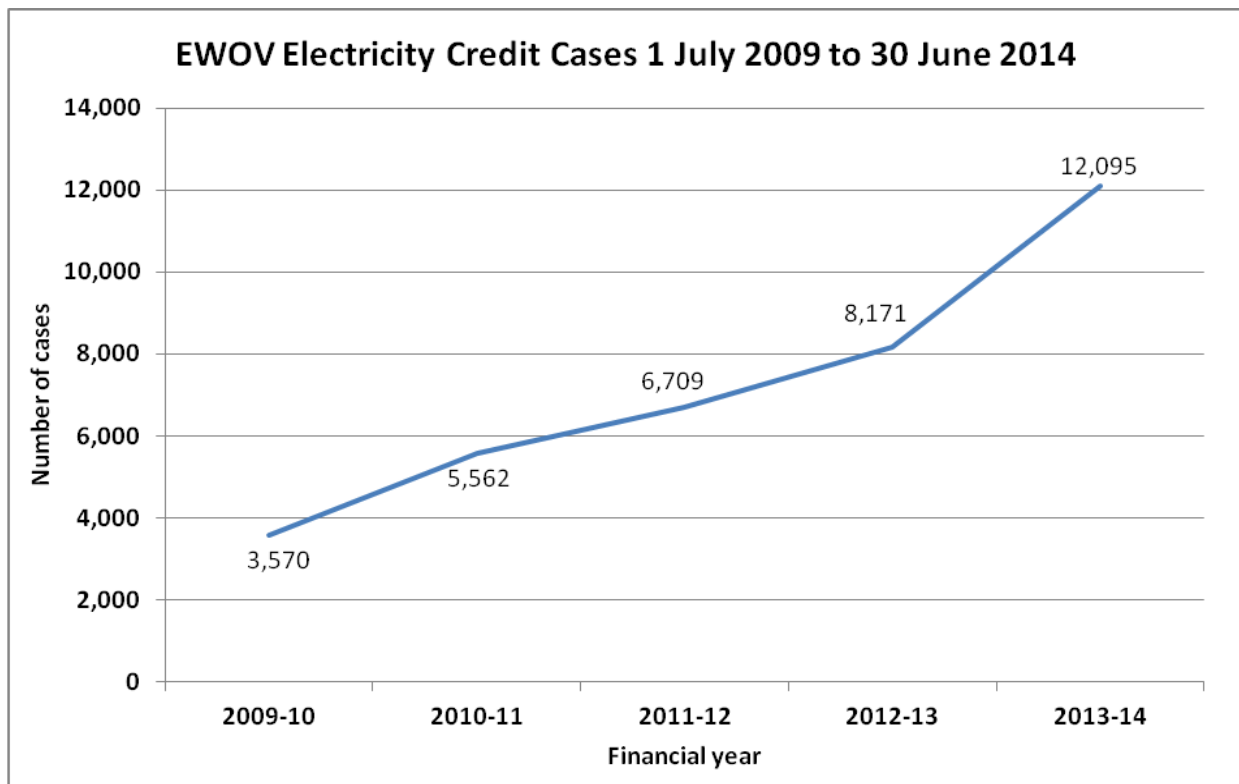
EWOV's case handling experience

The Consultation Paper highlights that extensive and historical investment in electricity networks to meet forecasts in demand is largely attributable to why electricity prices have been driven up in most jurisdictions within the National Energy Market (NEM) since 2009¹. Over this same period, EWOV has seen a correlation between price increases and associated affordability issues facing Victorian electricity customers. EWOV Credit² cases increased by 228% between 2009/10 and 2013/14, as shown in the following graph. Also of note, EWOV has seen the proportion of Credit-related cases increase, in relation to EWOV's overall case receipt, from 21% to 26% between 1 October 2013 and 31 December 2014, despite a 28% drop in overall cases in the same period³.

¹ Page 17, AEMC *Demand Management Incentive Scheme Consultation Paper*.

² These include cases involving payment difficulties, payment plans and credit-related disconnections.

³ Pages four and five, *EWOV's Quarterly Affordability Report*:
http://ewov.com.au/data/assets/pdf_file/0004/14089/Affordability-Report.pdf



Based on these trends, EWOV believes that electricity market innovations that allow customers to actively manage their usage, and subsequently their bills, would have positive impacts for some customers (and industry) in managing affordability issues.

However, we also believe that innovations, such as demand management products, that directly impact a customer's access to an essential service, like electricity, will deliver different benefits and costs to customers that will vary with a customer's individual circumstances. As such, it is important that careful consideration is given to the potential impact of the additional complexity of these products on customers' understanding of, and active participation in, the market.

Depending on how these changes are managed, it could increase dissatisfaction and complaint numbers to industry and EWOV. In order to mitigate customer confusion and complaints, EWOV believes that it is critical that the adequacy of current customer protections is reviewed to ensure that customers are:

- clearly informed about terms and conditions
- aware of the impact and potential consequences
- entering into agreements with explicit and informed consent.

Industry and regulators also need to consider the impact of demand side innovation on vulnerable customers, such as those who have life support registered at the property and/or critical appliances (for health and safety). Additionally, customers who have limited or no capacity to participate in the market or engage with new products and services also need to be considered as technology advances and electricity networks change – particularly if these

innovations are regarded as a key way of addressing affordability in the market. It is important that further consideration is given to these customer circumstances so they can also benefit from these innovations as the regulatory and market framework develops.

Customer education and communication

Given our knowledge and experience of the complaints arising from industry changes, EWOV believes that it is crucial that a clear, consistent and comprehensive customer communications strategy is delivered by industry and government to the broad range of customer groups in the community. This will support the smooth implementation of industry innovations.

EWOV's other submission work

EWOV advises that we are also making a submission as part of the consultation currently underway by the Council of Australian Governments (COAG) Energy Market Reform Working Group (EMRWG) on *New Products and Services in the Electricity Market – consultation of regulatory implications*⁴. Additionally, EWOV's submission to COAG will make reference to this submission.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Chris Stuart-Walker, Research and Communications Officer, on (03) 8672 4252 or at Chris.Stuart-Walker@ewov.com.au.

Yours sincerely



Cynthia Gebert
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⁴ <https://scer.govspace.gov.au/workstreams/energy-market-reform/demand-side-participation/new-products-and-services-in-the-electricity-market/>