



19 October 2015

Australian Energy Market Commission
Level 6, 201 Elizabeth Street
SYDNEY NSW 2000

Lodged online at: www.aemc.gov.au
Project number ERC0179

Dear Mr Davis

Re: AEMC draft rule determination — new arrangements for embedded networks

Thank you for the opportunity to comment on the Australian Energy Market Commission (AEMC) *draft rule determination — new arrangements for embedded networks* (the draft rules).

The Energy and Water Ombudsman (Victoria) (EWOV) is an industry-based external dispute resolution scheme that helps Victorian energy and water consumers by receiving, investigating and facilitating the resolution of their complaints.

While embedded networks (also known as exempt sellers) are not members of EWOV's scheme, we do receive complaints from their customers. However, we do not have the jurisdiction to investigate these complaints, so we mostly provide customers with general information and if applicable refer them to Consumer Affairs Victoria¹. Nevertheless, we have examined the exempt seller cases EWOV received over the last two financial years and hope that our research helps this consultation.

Consumer protections

Access to government schemes

As outlined above, complaints about exempt sellers are not within our jurisdiction to investigate. In any event, section 3.3.4 of the draft rules emphasize that customer access to

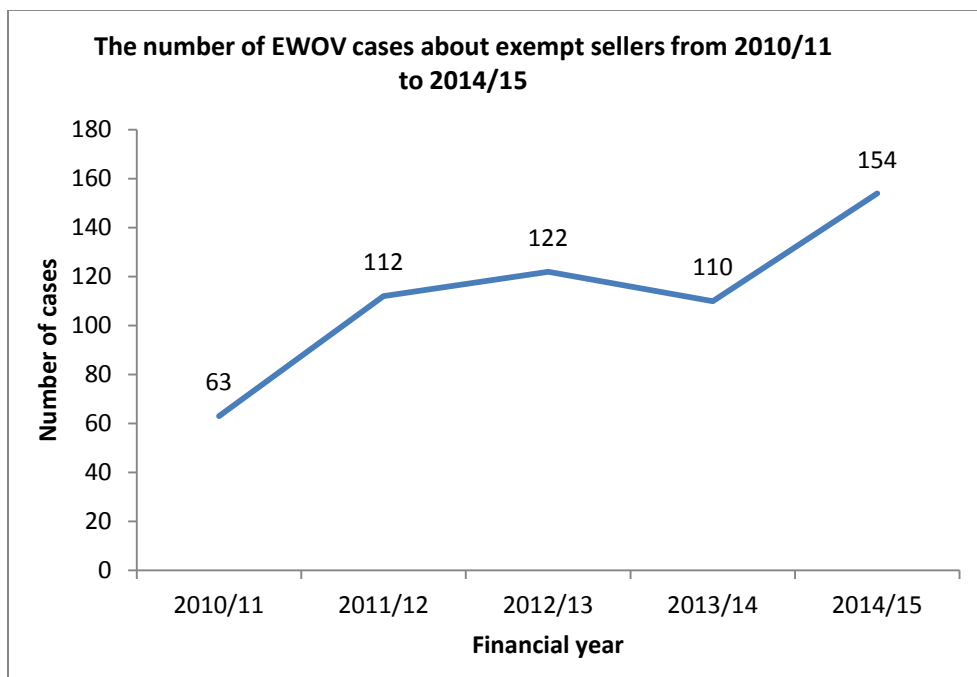
¹ There are some exceptions. For example, if a customer within an embedded network has a complaint about a supply issue that has occurred within the wider distribution network, we can handle a complaint against the distribution company. Similarly, we can often help with complaints that involve both a licensed energy retailer and an exempt retailer – for example, where a customer is being billed by both companies.

Ombudsman schemes is not within the current scope of the rule change process and so is not part of this consultation.

Dispute resolution

Part D of the draft rules sets out the conditions that apply to exempt sellers, one of which is having in place dispute resolution procedures which customers can access at no cost, or on a fee for service basis.

As the Commission is aware, EWOV offers free dispute resolution services and many customers of exempt sellers contact our office for assistance. The graph below shows the increasing number of EWOV cases about exempt sellers from 2010/11 to 2014/15.

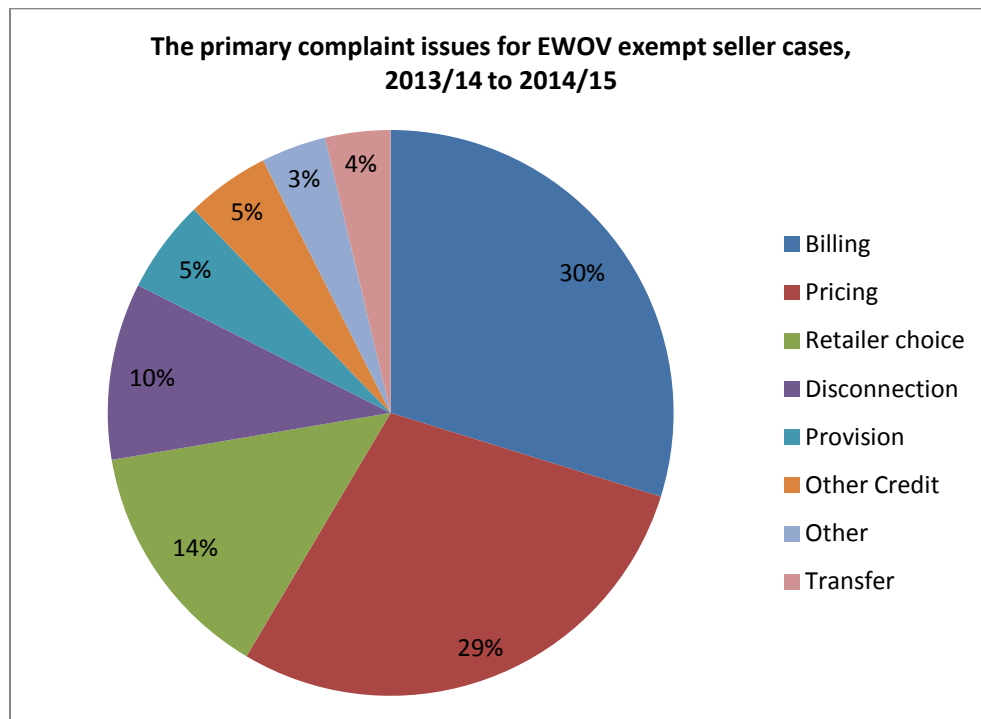


In the 2014/15 financial year, EWOV received 154 cases about exempt sellers from customers living in an embedded network – a 40% case increase from 2013/14. This increase contrasts with the decline in EWOV cases over the last financial year where our total cases fell 40%. This may suggest that customers within embedded networks have a growing need for free and independent external dispute resolution services.

Customer choice

An overriding principle of the AEMC’s draft rules is that customers living in embedded networks should be able to choose their own electricity retailer within the competitive retail market and access the associated consumer protections. Chapter Three of the draft rules deals specifically with the benefits of retail competition.

EWOV's case data suggests that the limited competition in embedded networks is a noticeable concern for some customers who contact us. To illustrate this, the chart below shows the main reasons customers complained to EWOV about exempt sellers over the last two financial years, 2013/14 to 2014/15.



The inability to change electricity retailer was a complaint for 14% (26 cases) of these exempt seller cases. While this is not a significant number of cases over a two year period, our research found that it was often a secondary and related concern for many of these customers, especially for those who complained about the price of their electricity. For example, a customer who recently moved into a rented apartment block found that he would be charged a \$200 connection fee by an exempt seller – when retailers within the competitive market would charge about \$100. EWOV referred the customer to Consumer Affairs Victoria.

We hope our comments are helpful and we would be happy to discuss the draft rules further with the Commission. Should you have any other queries, please contact Justin Stokes, Senior Research and Communications Advisor on (03) 8672 4272.

Yours sincerely

Cynthia Gebert
Energy and Water Ombudsman (Victoria)