



Ethnic Communities' Council of NSW Inc.

221 Cope Street Waterloo NSW 2017
Tel: (02)9319 0288 Fax: (02)9319 4229 Email: energy@eccnsw.org.au

07/02/2013

Mr Eamonn Corrigan
Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235.
201 Elizabeth St
SYDNEY NSW 2000

Submission to Australia Energy Market Commission's Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales **Issues Paper: RPR0001**

The Ethnic Communities Council of NSW (ECC) welcomes the opportunity to comment on AEMC's Issues Paper: **Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales**.

Since its formation 36 years ago the ECC has been the peak body for culturally and linguistically diverse (CALD) community members and representative organisations in NSW. The ECC's main activities are advocacy, education and community development. It is a member of the Federation of Ethnic Communities Councils of Australia (FECCA).

The ECC published the results of research in 2011 that was funded by the Consumer Advocacy Panel, called ***Experiences of energy consumption for culturally and linguistically diverse (CALD) communities***. The research demonstrated that CALD community members do not trust the energy retailers and are reluctant to engage with retail marketing. This prevents these members of our community engaging in making choices in the market. There is a belief in the CALD communities surveyed that changing their energy retailer 'won't really make a difference to cost or ease and comfort of sticking to what has always been done' (p9).

Specifically in relation to the Review of Competition see the following comments:

Market definition

It is the industry that sets the fixed supply charge and it has increased 120% from 2008 – 2012. The majority of NSW retailers charge the same fixed supply charge although there is scope to alter this charge as a proportion of the cap set by IPART. This demonstrates the lack of desire to engage in competition as setting a different fixed charge within the IPART set cap would offer consumers an option to lower their costs by reducing their energy use. These high fixed charges limit the customers' ability to take control over their electricity costs.

Also in dual fuel households the fixed charge for each supply (gas and electricity) presents a barrier to consumers engaging in competition as they are forced to pay the two fuel supply charges whatever their usage. This situation will drive consumers to change to single fuel households reducing the competition between the two fuel supplies.

Similarly the additional charges that can be found in most contracts such as late fees, credit card payment fees etc are also part of the market offers and these fees can be a considerable proportion of the costs for low energy users and be a burden for low income customers.

Question 7 Market structure (a) Are there barriers to entry that impact on the development of effective competition in small customer electricity and natural gas retailing in different geographical areas or distribution networks of NSW?

Customers in NSW are not able to choose a standard tariff from any retailer if they have an interval or smart meter. They are required to go with the default retailer to choose this option. For example, if the customer's premises are new or renovated in the Ausgrid area and they choose a retailer that is not Energy Australia then they cannot choose a standard/peak tariff and have no option but a time of use tariff.

This presents a barrier to competition for these customers.

Market conduct

Question 10 (a) To what extent do energy retailers compete with each other to acquire new, and retain existing, small customers in NSW's electricity and natural gas retail markets?

85% of householders who responded to the question *Have you ever been visited by or contacted by an energy supplier inviting you to change supplier* answered yes and 50% of small ethno specific businesses. The energy suppliers who contacted the older migrants surveyed whereas only 25% of newly arrived migrants and refugees were visited.

(b) What sort of product and/or service improvements have retailers delivered to small customers in NSW's electricity and natural gas retail?

The older migrants who changed their electricity supplier after they were contacted by a retail marketer reported that their energy costs decreased indicating service improvement.

CALD communities when questioned about their energy suppliers' marketing and whether the marketing had resulted in them changing their supplier responses indicated that about half of the householders and 25% of businesses didn't change. They reported that 'they didn't trust the companies or didn't think it would make any difference'.

Of those who did change it was on the promise of a discount. Those businesses that didn't change supplier reported the following reasons: *they are all the same, they promise a discount but it doesn't happen*. A Hazara businessman said: "because one of my friends changed his supplier and he got knocked with more bill." A Chinese and an Arabic business reported they didn't have time to look around for alternatives.

The majority of respondents didn't know they could negotiate a cheaper price. This was particularly so for the Vietnamese with 7 of 8 respondents reporting they didn't know this.

This indicates that the suppliers marketing strategies are not reaching the majority of CALD communities.

Question 12 (b) Describe the availability and take up of time of use tariffs in NSW's small customer electricity and natural gas retail markets?

None of the respondents to the research had or were aware of time of use tariffs. As flexible pricing is dependant on a smart or interval meter the availability of these tariffs is small. However in the Ausgrid area you would assume that some of the small businesses had smart or interval meters yet they were not aware about the meters or the tariff.

(c) What impact may time of use tariffs have on competition in NSW's small customer electricity and natural gas retail markets in the future?

The impact of these tariffs on competition is not known although it will be important that the fixed supply charge is not used as a buffer by the retailers for lost revenue. It is also important that the effectiveness of time of use tariffs are explained to customers particularly those that cannot shift their use patterns or are low energy users.

Question 14 (a) What types of marketing practices, or business behaviours, have small customers experienced in NSW's small customer electricity and natural gas retail markets?

The types of marketing practices small customers have experienced have often not been beneficial to the CALD householders and businesses. The overwhelming majority of respondents to the surveys and participating in focus groups preferred

information about energy costs and savings to be in respondents' first language. All respondents in the focus groups wanted written information to be in their own language. The Cantonese and Sudanese Arabic speakers thought written information about energy costs and savings available at the post office would be useful, whereas the Greek respondents nominated the Community Centre as being the most useful place for such information. The Sudanese also thought the "kids school" would be a useful dissemination point for such information.

Own language media was clearly and strongly identified across the focus groups as the most important channel for gathering information. Own language newspaper received the highest rating by respondents, nominated by all of the Greek respondents and 60% of the Cantonese. The Sudanese respondents preferred own language radio, to newspapers. This may be because while own language newspapers are available and well read by long established CALD communities, new arrivals do not have the same access

Energy retailers have not provided translated information and have not utilised the relevant media.

There is anecdotal evidence that door-to-door marketers have used inappropriate methods to gain a new contract such as announcing that they are from the government, that they are now the only supplier and asking people to sign who are either intimidated or do not understand what they are signing.

Question 16 (a) What motivates small customers to switch from a standing (or regulated) offer contract to a market offer contract in NSW's electricity and natural gas retail markets?

The respondents to the survey were clear that reducing the cost of energy supply was a prime motivator. . The time poor and somewhat isolated small businesses would benefit from assistance to understand standard and market contracts and their capacity to negotiate on price.

(b) What motivates small customers to switch energy retailers in NSW's electricity and natural gas retail markets?

As above

(c) With respect to electricity feed-in tariffs, have small customers experienced any difficulties in terms of switching retailer due to a leasing agreement for their solar panels?

NSW customers that installed solar panels and received a solar feed in tariff were unable to switch retailers if they wished to continue to receive the higher feed in tariff of 60 cents/kWh.

Question 17 (a) Are small customers in NSW's electricity and natural gas retail markets able to access energy related information that is easy to understand, relevant and up to date?

As indicated above the majority of CALD householders and businesses prefer to receive their information in their first language. They have suggested the use of the ethnic media to reach those who have reading difficulties.

That these community members are not receiving the information from retailers in an appropriate and effective form is reflected by their lack of knowledge of and trust in the availability of cheaper tariffs.

(b) Are small customers in NSW's electricity and natural gas retail markets able to access energy related information that enables competing energy offers from energy retailers to be compared?

IPART and the new AER website and comparators (when the NSW AER is available) are very useful and both have translated information available for download or reading. However many of the older migrant communities and the refugees and newly arrived migrants **do not have access or do not have the ability to access these sites.**

(d) What information are small customers presented with by their energy supplier at, or near, expiry of their existing energy supply contract? What action(s) must small customers undertake to ensure a continuation of energy supply?

None that the ECC is aware of or that was reported during the research.

Question 19 (a) To what extent do energy retailers actively compete to offer the products, services, prices and other conditions of energy supply which are most attractive to small customers in NSW's electricity and natural gas retail markets? For example, retailers offering small customers tailored advice on ways to lower their household energy usage.

The CALD small businesses reported that they are not being provided with information about how they can reduce their energy use. Those few who recalled receiving any information only vaguely recalled the information. They are a time poor group, frequently working long hours to keep their businesses going.

There is also some evidence that businesses owned by newer arrivals are concerned that doing anything to reduce energy use will be bad for their business. One Hazara business owner said: *"if we try to reduce energy use then probably the stuff in the freezer and refrigerator will not be in good and healthy condition and we do not want our business name to be bad in the community."* Others couldn't see that there was much scope to make reductions in energy use. *"I can't do much about it because I need the freezer, fridge and air-conditioning."*

(c) Do energy retailers currently issue NSW small customers a single bill for their electricity and natural gas usage?

The majority of retailers send separate bills for each type of fuel.

Question 21 (a) Are there classes of small customers who are unable to access the benefits of competition in NSW's electricity and natural gas retail markets?

As explained above the CALD householders and businesses are unable to access the benefits of competition in NSW's energy markets as they have very little understanding of what actions they can take to engage in the market.

As reported above the majority of respondents from the businesses did not know that they could negotiate a cheaper price for their energy.

(b) What factors contribute to the difficulties experienced by the classes of small customers referred to in (a)?

The main factor is the lack of information that is appropriate and effective for the CALD communities.

Question 22 (a) What initiatives do energy retailers undertake to assist small customers experiencing difficulties in participating in NSW's electricity and natural gas retail markets?

Ausgrid in NSW trading as Energy Australia had a number of initiatives to assist small customers experiencing difficulties in participating in NSW's electricity markets such as:

- translated their brochures
- supported the Ethnic Communities' Council (ECC) in our work educating the CALD communities about how to read their energy bills and save energy in their homes and businesses.

Since the privatisation of the retail sector of the energy industry there is little translated information and no support for the energy information programs at the ECC.

The energy retailers seem unaware that in Sydney and Melbourne the CALD communities make up almost 25% of the population

(b) How effective are the energy retailer initiatives referred to in (a) in assisting small customers?

Not effective

Question 23 Identifying a path to removing retail price regulation:

(d) What information should be provided to customers to establish awareness of price deregulation? What customer protections are required?

The information provided above makes a clear case for information provision that is tailored to meet the needs of the CALD communities. This means in language face-to-face education programs and utilising the appropriate ethnic media. The ECC NSW can assist in the development of strategies that will provide the information in an effective and appropriate format for CALD communities; a format that has had demonstrated success in increasing CALD communities' awareness and understanding about similar policy changes.

Real consumer benefits from energy retail markets can only be achieved with an informed and active demand side and the ECC strongly discourages the treatment of consumer information provision as an add on to be delivered if deregulation takes place. A timely, effective and appropriate education process for CALD communities would need to be initiated prior to the deregulation.

If you have any questions about this submission, please do not hesitate to contact Helen Scott on 02 9319 0288 or 0425 833 892.

Sincerely yours,



Mark Franklin
Executive Officer
Ethnic Communities' Council of NSW Inc.