

Our ref: EWOQ/15/0124



16 November 2015

Queensland Productivity Commission
PO Box 12112
George Street
Brisbane QLD 4003

<http://www.qpc.qld.gov.au/inquiries/how-to-make-a-submission/>

Dear Sir/Madam

Re: Submission Electricity Pricing in Queensland Issues Paper

Thank you for the opportunity to make a submission on the Queensland Productivity Commission's Electricity Pricing in Queensland Issues Paper (the issues paper).

The Energy and Water Ombudsman Queensland (EWOQ) provides a free, fair and independent dispute resolution service for small electricity and gas customers across Queensland and water customers in south east Queensland who are unable to resolve a dispute with their supplier.

The responses below are based on our experience in dealing with residential and small business customer complaints. Rather than addressing specific questions the following observations are made.

Barriers to improving consumer interest and participation in the electricity market

Our experience with customers suggests that many are confused by the complexity of their bills, and for those on a market contract, their contracts. We think that the complexity of contracts in particular is a factor deterring customers from entering the market. Some areas to address include:

- standardising language so that customers can more easily compare offers
- simplifying terms and conditions
- where discounts are offered, providing clear language about what the discount is on and how it is calculated.

Another barrier to market entry is that comparison sites and retailer offers are largely internet based thereby excluding a not insignificant proportion of households from accessing offers or understanding the market.

According to 2012-2013 ABS data, the number of households with access to the internet at home reached 7.3 million households and represented 83% of all households. Almost every household with children under 15 years of age had access to the internet at home (96%), as compared to 78% of households without children under 15 years of age in 2012-13.

However, the greater the household income the more likely there is internet access at home. In 2012–13, 98% of households with household income of \$120,000 or more had internet access, compared to 57% of households with household income of less than \$40,000. It follows that many lower income households that might benefit from discounts have little means by which to access the necessary information.

Consequently, other communication channels and methods need to be provided so that all consumers can participate in the market if they want to.

In this regard, all stakeholders need to contribute to informing the public, however, the lead role must fall to government and its agencies. The key messages for consumers are the ease of entering into a market contract and switching, the potential savings to be made from doing so, and tips and traps for consumers when comparing retail offers.

Some messages will need to be specifically tailored to special interest groups. For example, most market contracts provide customers with discounts for paying on time and penalties when they do not. For low income households and/or those struggling to pay their bills such conditions may not be suitable for them.

For our part, we will continue to connect with stakeholder and consumer groups through our community engagement and outreach activities. During 2014-15 we participated in training sessions for community organisations such as Uniting Care, Youth and Family Services, Logan Financial Literacy Action Group, Red Cross, St Vincent de Paul and Family Support Workers.

We also attended community finance workshops held by the Smith Family and the Queensland Council of Social Services, and participated in 'Bring Your Bills' days organised by the Brisbane City Council, Cherbourg Aboriginal Shire Council and Innisfail Community Support Centre.

These community organisations provide assistance to consumers experiencing financial hardship and through our training sessions we were able to inform these community workers of the assistance we can provide to vulnerable consumers.

Consumer protection

A growing concern is that emerging technologies and new business models are outpacing the regulatory and customer protection framework, leaving customers without adequate protection. This is especially so for the increasing number of customers who are not provided with electricity via the traditional retail model. Examples include: customers who are provided with electricity by an on-supplier; customers who use solar energy and have sufficient battery storage to go off the grid; and customers who enter into solar power purchase agreements. Under the *Energy and Water Ombudsman Act 2006* none of these customers can make a complaint my office.

In our view, consideration needs to be given to developing more generic consumer protections for energy customers which will be versatile enough to apply to new technologies and business models now and in the future. We suggest that the development of initiatives be conducted in close consultation with State and Commonwealth regulators.

EWOQ is well placed to investigate and conciliate a broad range of energy customer complaints although consideration will need to be given to our funding for such purposes. A single external

dispute resolution point for energy complaints would be more cost efficient and simpler for consumers.

Vulnerable customers

We support the concept of market monitoring and a reserve pricing power being retained by government to insure against rising prices due to a deterioration of competition. However, the challenges for vulnerable customers will remain the same in a deregulated market as they in the regulated market.

Queensland needs to review customer eligibility for an electricity rebate. In this State rebates are available to people who hold any of the below:

- Pensioner Concession Card
- Department of Veterans' Affairs Gold Card (and receive the War Widow/er Pension or special rate TPI Pension)
- Queensland Seniors Card.

There are other conditions as well.

In our view it would be preferable to provide the rebate to all Health Care Card holders many of whom would be considered vulnerable either due to low household income or permanent health issues limiting their ability to work. On the other hand there seems little justification for providing the rebate to all Senior's Card holders regardless of their income and this should be means tested.

Consideration should also be given to a percentage-based concession calculated as a proportion of the customer's energy usage rather than a flat dollar figure. This would provide a more equitable approach to assisting vulnerable customers who have differing levels of non-discretionary energy use and income.

I note that consideration is being given to measuring vulnerable customers by household income. I understand that one concern is that assistance should not be provided to high income households having difficulty paying their energy bills because of their other discretionary spending commitments.

The difficulty with a prescriptive definition for vulnerable consumers is that it may exclude consumers who are clearly struggling financially due to unforeseen circumstances such as ill health.

Market monitoring

We anticipate that deregulation of retail prices in SEQ will increase the number of complaints received by my office, as greater market fluidity (switching) will lead to increases in the following types of complaints:

- Transfer (errors, delays, contract terms, cooling off rites, objection/rejected by retailer, site ownership and without consent)
- Provision (existing/new connection, disconnection/restriction)
- Supply (planned, unplanned and variation)

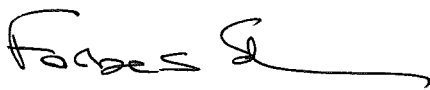
We also expect a slight increase in billing complaints (high bills, errors, and disputes about fees, charges, rebates, concessions and refunds).

We recommend that market monitoring include consideration of these complaint categories and my office is able to regularly provide data in this regard.

As a dispute resolution scheme, I support the inquiry of electricity pricing to ensure fairness and equity within the electricity industry and to minimise the impacts on vulnerable customers.

I trust this information is of assistance to you. Should you require any further information, please contact Ms Ilona Cenefels, Manager Policy and Research, on Ph (07) 3087 9455.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Forbes Smith', with a long horizontal flourish extending to the right.

Forbes Smith
Energy and Water Ombudsman