



# Ethnic Communities' Council of NSW Inc.

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20/1/2015

## **Response to Energy Networks Association Position Paper *Towards a National Approach to Electricity Network Tariff Reform***

The Ethnic Communities Council of NSW (ECC) welcomes the opportunity to provide input into the **Energy Networks Association Position Paper *Towards a National Approach to Electricity Network Tariff Reform***.

Since its formation 40 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) and the Energy Advocacy role represents FECCA in the NEM.

The ECC thanks the Energy Networks Association for the opportunity to contribute to its position paper on Network tariff reform. The ECC would like to provide comments focusing on the potential ramifications and impacts for CALD energy consumers including observations and recommendations relating to the Tariff Reform Roadmap presented in the position paper.

### **ENA Roadmap for Tariff Reform <sup>1</sup>**

- 1. A balanced framework for smart meters that achieves the fastest, economic rollout to benefit all consumers.**
- 2. Better information and decision tools for consumers through a joint initiative between electricity networks, retailers and governments.**
- 3. National agreement to introduce flexible pricing and smart meters for key consumers, based on triggers (such as the connection of solar panels, battery storage, electric vehicles and connections to new premises) and consumption thresholds.**
- 4. Review of customer Hardship programs to support vulnerable consumers during change to pricing structures.**
- 5. Deregulation of retail prices, delivering long-standing Council of Australian Governments (COAG) commitments to deregulate where markets are sufficiently competitive.**

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<sup>1</sup> ENA 2014, *Towards a National Approach to Electricity Network Tariff Reform* page15

As in the wider community, CALD communities vary considerably in their understanding and take-up of emerging opportunities in the energy market. With the introduction of smart metering, and the suggestion that customers would be assigned to particular tariff types and meters following various 'triggers',<sup>2</sup> CALD consumers need to have confidence that smart metering will advantage them.

While there are structural issues (some of which are outlined below) to the value of smart metering for sections of various CALD communities, good communication remains a major stumbling block across all CALD communities. CALD communities have differing strengths in the use of the internet, and recent research as part of longitudinal surveys in the Business Energy Smart Tips (BEST) project undertaken by the ECC NSW has shown that there is currently a very limited use of the internet for information on energy use by CALD small commercial businesses.<sup>3</sup>

We agree with ENA that '[e]ngagement with customers on tariff design will be critical to making the transition to more cost-reflective network tariffs'.<sup>4</sup> Approximately 23% of the population of NSW and Victoria has a first language other than English.<sup>5</sup> Communication about metering and tariff structures will have little success with CALD communities if it is limited to internet-based information or on-line surveys, even if this is in-language. Previous projects undertaken by the ECC have indicated that the use of information in-language has a much greater efficacy when used in concert with targeted use of bilingual educators who are themselves members of the CALD community.<sup>6</sup>

There are structural difficulties with the introduction of smart meters and the allocation of consumers to particular tariff types:

- Some CALD communities have a considerable proportion of their members falling in the 'vulnerable or disadvantaged' category, particularly those communities whose members comprise recent arrivals and refugees. Successful implementation of smart metering and associated tariffs for these members of the CALD community would require careful planning and implementation, and would certainly require 'a substantial review of customer hardship programs addressing energy affordability for vulnerable customers'.<sup>7</sup> Customers in these communities are often not in a position to adapt their energy use patterns by load-shifting, switching to energy efficient appliances or reducing their energy use, particularly if they are already low energy users, in rental accommodation or in a restricted income position. Customers experiencing hardship will need ongoing support with energy affordability, not just during changes to pricing structures.<sup>8</sup> The ECC supports the NSW Council of Social Services (NCOSS) requests to have concessions based on a percentage of energy bills, as is the case currently in Victoria.
- Recent RMIT research on the flexibility of energy use by families with children<sup>9</sup> points to the relative inability of families with children to reduce their electricity consumption

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<sup>2</sup> ibid page 15

<sup>3</sup> Recent research from *BEST project* NSW ECC August 2014 pages 12-13

<sup>4</sup> ENA op cit page 2

<sup>5</sup> ABS Census data 2011

<sup>6</sup> Saving Water in Asian Restaurants Final Report, ECC 2010, 2013

<sup>7</sup> ENA op cit page 4

<sup>8</sup> ibid page15

<sup>9</sup> Dr L Nicholls and Dr Y Strengers, *Changing Demand: Flexibility of energy practices in households with children*, RMIT University June 2014

or make appropriate choices about tariffs and providers.<sup>10</sup> Families represent 25% of Australian households<sup>11</sup> and often experience more difficulty paying energy bills but often do not qualify for concessions or rebates. Concerning smart metering in particular, it was found that '[o]ther than households with solar photovoltaics (PVs), most households knew little, were confused or distrustful, or had not heard about smart (interval) meters'.<sup>12</sup> CALD consumers were well represented in this research and while there are indications that current practice in some CALD communities is informed by past practices in their country of origin<sup>13</sup> there remains considerable confusion about metering, tariffs and energy provision in general.

- CALD communities occupy unit developments and infill (often high-rise) housing in considerable numbers. These developments rarely offer opportunities for possible distributed generation and storage (strata title and management present specific and considerable difficulties here) and have often been sited with little regard for solar access.

The institution of a 'Customer Impact Principle' to the construction of tariffs under the draft determination by the AEMC on network pricing<sup>14</sup> recognises that '[c]onsumers are more likely to be able to respond to price signals if those signals are consistent and apply for a reasonable period of time' and that '[c]onsumers will not be able to respond to price signals if they cannot relate price structures to their usage decisions'. The new principles also 'require network prices to be reasonably capable of being understood by consumers'.<sup>15</sup> A plethora of complicated, multi-faceted tariff structures across retail and network businesses will create considerable confusion amongst consumers, and particularly an additional barrier for CALD consumers, and will only serve to thwart this customer impact principle.

The ECC supports the ENA in its advocacy for an industry standard for network tariff reform, and suggests that a smaller, standardised set of tariff structures may assist in allowing consumers to make informed choices, at least in the initial stages of adoption and implementation. We agree with the ENA that wide community engagement by retailers and networks in establishing these tariff structures will help to provide the greatest possibilities of their successful take-up and use.

Comments in the position paper concerning increasing fixed charges<sup>16</sup> as a part of network tariff design present some difficulties. The AEMC Draft determination indicates that total efficient costs recovery 'must be in a way that minimises distortion to price signals'<sup>17</sup>. We do not believe that higher fixed charges, while possibly good for recovering network costs, would provide good price signals to consumers about their useage and so higher fixed charges would not support the spirit of the AEMC draft determination.

The position taken by ENA regarding aligning retail and network tariffs<sup>18</sup> does not seem to tally with the Draft Rule Determination on Distribution Network Pricing Arrangements 2014 which

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<sup>10</sup> ibid page vii

<sup>11</sup> ABS 2103

<sup>12</sup> Nicholls and Strengers , op cit page 44

<sup>13</sup> ibid page 45 quoting papers by Maller and Strengers 2013, Strenger and Maller 2012

<sup>14</sup> AEMC Draft Rule Determination 2014 page v

<sup>15</sup> ibid pages i -v, 10

<sup>16</sup> ENA op cit pages 2, 10

<sup>17</sup> AEMC op cit pages v, 17

<sup>18</sup> ENA op cit page 28

specifically excludes retailers from having to structure their prices to match the structure of network pricing.<sup>19</sup>

Certainly there will need to be considerable regulatory oversight on the translation and utilisation of benefits which may flow from the transition to more cost-reflective tariffs by networks and their utilisation by retailers in the construction of end-user consumer tariff structures. The Victorian experience of privatisation has seen transmission and distribution network tariffs fall to historically low percentages of customer bills without concomitant reduction in final energy bills to consumers.<sup>20</sup>

If you require additional information please contact Iain Maitland, Energy Advocate on 02 9319 0288 or email [energy2@eccnsw.org.au](mailto:energy2@eccnsw.org.au) .

Sincerely yours,



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<sup>19</sup> AEMC op cit page iii

<sup>20</sup> G Duffy and M Johnston, *The NEM, Wrong way, go back, Observations from the Vinnies Tariff-Tracking Project*, 2014