



Ethnic Communities' Council of NSW Inc.

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Submission to AER Issues paper NSW electricity distribution regulatory proposals 2014-15 to 2018-19

The Ethnic Communities Council of NSW (ECC) welcomes the opportunity to provide input into the draft report for the **Issues paper NSW electricity distribution regulatory proposals 2014-15 to 2018-19**.

Since its formation 38 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 Ethnic Communities' Council was active in supporting the AER's requirement that the energy networks engage with their consumers when preparing their proposals. The ECC participated in the development of the consumer engagement guidelines that were prepared to assist the networks in this activity.

A review of the consumer engagement undertaken by the networks in the preparation of their proposals indicates that each network attempted to engage the consumers in a number of ways including inviting emails, visits to websites and by some limited face to face activities. The principal method was surveys and invited comment electronically.

Research by the ECC NSW indicates that some consumers from culturally and linguistically diverse backgrounds have limited internet access or capacity to understand English when asked to read complex questions.

Although older members of the general community are increasingly able to use the internet they do not involve themselves in interactive activities, according to the Australian Communications and Media Authority research 2010. This is compounded among CALD older consumers in that many revert to their first language which makes their access to and interaction with internet, written in English, even lower.

Internet use is also lower in low-income households. In 2011, 67% of low-income (earning less than \$30,000 per year) used the internet. Similarly Australians with lower levels of basic education and those living outside capital cities were less likely to use the internet.¹

Newly arrived and refugee consumers have difficulty engaging with internet due to all of the above reasons: language difficulties, low income and often a low level of basic education. When this group of energy consumers can access the internet at libraries etc they encourage their children to use the facility so that their children can keep up

with their peers. If the adults gain access to internet, they will use it to contact family or find out news of their country of origin. These groups are unlikely to visit an energy website to complete an interactive survey promoted by energy networks.

The networks in their planning proposals outline their future consumer engagement plans. The proposals all rely on social media and the internet to 'have your say'. The proposals include some minimal face-to-face activities.

There are 1.7 million people living in NSW who speak a language other than English at home. This would indicate that there are a large number of CALD energy consumers who are unable to access or interact with any social media or internet based engagement methodology.

The ECCs recommend that the networks engage peak bodies that have good relationships with vulnerable, hard to reach communities (which includes energy network consumers) to develop strategies that will facilitate engagement with all energy consumers.

The ECC considers that language barriers aside, the size of the network proposals presents a barrier to consumers' participation. A great deal of the information is about the reasons for deviation from the AER guidelines. The ECC recommends that the AER considers options for limiting the amount of information submitted by networks as regulatory proposals.

The shorter versions prepared by the networks read like advertisements rather than summaries of the proposals. The ECC concurs with Public Interest Advocacy Centre's (PIAC)² recommendation that the AER evaluates whether these summaries are a balanced picture of network plans when assessing the effectiveness of the DNSP's consumer engagement activities.

The DNSPs have not embraced the AER's consumer engagement guidelines which were developed after extensive consultation with stakeholders. The ECC has noted that the DNSPs in developing their proposals have also deviated from other AER guidelines that were developed after extensive stakeholder consultation in a number of areas. We support the PIAC's recommendations and agree with their rationale where non-compliance has been identified.

In particular the DNSPs forecasts of energy usage and maximum demand seem to be significantly different from forecasts provided by AEMO. These forecasts are used when calculating their proposed capex. In this area of forecasting and calculating the capex allowance the ECC supports all the recommendations set out by PIAC in their submission.

PIAC has identified that the DNSPs are proposing to increase their opex from current levels of opex, and to maintain that in real terms across the regulatory period for a number of reasons that do not seem prudent or efficient. PIAC has suggested a number of recommendations to the AER to address the issues they have identified, particularly those that represent a 'double whammy' for consumers. As this approach persists through each year PIAC estimates that it amounts to a total of some \$200M. The ECC supports all of the recommendations proposed by the PIAC submission.

Similarly the proposed cost of capital of 8.83 per cent is much higher than what would be derived from applying the AER guideline. The ECC agrees with PIAC that it appears

2. B Hughson & O Derum *Moving to a new paradigm: Response to the regulatory proposals by distribution network service providers in NSW for the period 2014/15 to 2018/19*, PIAC, 2014

the whole consultation process and Rate of Return guideline development process had not happened. The ECC particularly supports Recommendations 23 and 24 in the PIAC submission.²

The DNSPs have not embraced demand management and energy efficiency. The ECC supports the following PIAC recommendations

- The AER require DNSPs to empower customers to reduce and optimise their energy usage and electricity bills, and to stimulate innovation and new products that will further enhance customer opportunities
- That the development of a new Demand Management Incentive Scheme should be undertaken in such a way that DM becomes central (rather than an add-on) to DNSPs activities and undertaken wherever it will reduce costs for consumers. Such a scheme will need targets and possibly, penalties for non-compliance
- That DNSPs should be required to report annually to the AER on their demand management and energy efficiency activities and that the scope of this report be developed in consultation with the DM industry and consumers.

The ECC also recommends that all networks provide details of how they are adapting to the impact of climate change that is happening now and what plans and strategies they have for the future.

In summary the ECC asks that the AER scrutinises the DNSP proposals to ensure that customers are to pay a fair and reasonable price for an essential service. One area where the AER can assist consumers is by requesting that DNSPs review their exit fees to ensure customers who upgrade their meters are not penalised unfairly.

Most importantly for the ECCs is that the proposed consumer engagement strategies are developed in consultation with stakeholders and that organisations working with vulnerable consumers (CALD, indigenous, older consumers) are involved in the development of strategies that will successfully engage all of the networks energy consumers.

The ECC looks forward to the AER's considered response to the issues raised in the submissions that will be published in the draft decision in November 2014.

If you require additional information please contact Helen Scott, Energy Advocate on 02 9319 0288 or email energy@eccnsw.org.au.

Sincerely yours,



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

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