

# SACOSS Essential Services Factsheet: Energy



## The National Energy Customer Framework (NECF)

### Overview

Under National Competition Policy, all Australian jurisdictions were required to introduce competition into energy markets. This has meant separating the functions of Generation (wholesale), Transmission, Distribution and Retail. Transmission and Distribution are natural monopolies and are regulated, while Generation and Retail are left to competitive forces. Regulation is also being moved from a predominantly jurisdiction base to being a national role. Thus where formerly the Essential Services Commission of South Australia (ESCOSA) regulated the energy market in South Australia, regulation has become national through the establishment of the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER).

In 2005, the Ministerial Council on Energy (MCE) established a Retail Policy Working Group to develop proposals for a national consumer protection framework, focussing on non-price elements of consumer protection. This is to be known as the National Energy Customer Framework, or NECF.

The NECF comprises the National Energy Retail Law ('the Law'), the National Energy Retail Regulations ('the Regulations'), and the National Energy Retail Rules ('the Rules'). The 2<sup>nd</sup> Exposure Draft of the NECF was released for comment in November 2009, and is scheduled to go before SA Parliament in the Spring session of 2010. In essence, the NECF will regulate the following:

- Hardship Provisions, such as Payment Plans
- Security Deposits
- Marketing
- Billing
- Wrongful Disconnection
- The relationship between customers and distributors

The National Energy Consumers' Roundtable, of which SACOSS is a part, has been working on the NECF from the consumer's perspective and has provided a detailed submission on the First Exposure Draft. It is currently in the process of drafting a submission to the Second Exposure Draft. Through its analysis of the NECF, it has identified some issues with the NECF in regards to the protections it provides and how these stack up against current jurisdictional provisions (these are laid out in the article in 'On the Wire').

### What the NECF means to retailers (and distributors)

For retailers, the NECF represents a simplification of their requirements in the area of consumer protections. As many retailers and distributors operate across state/territory borders, they currently have different requirements to meet, and this causes them some grief. This will be remedied by the implementation of the NECF as an NEM-wide regulatory framework, and in some cases jurisdictional regulation will be replaced by less onerous obligations. In some cases, retailers and distributors will be required to strengthen their hardship provisions in order to meet any new obligations (see SACOSS factsheets 'Energy — Consumer Protections' and 'Energy — Hardship Policies').

### What the NECF means to consumers

The NECF is designed to replace existing jurisdictional non-price consumer protections. In South Australia, this means the replacement of the Energy Retail Code (ERC), and in some cases replacement of current protections with other, less robust protections. This may mean that in some cases consumers are not as well protected under future legislation as they are currently. However once all jurisdictions in the NEM have enacted the necessary legislation to make the NECF binding, consumers can know that they are protected to the same level as anyone else in Queensland, NSW, Victoria, the ACT or Tasmania. Ultimately, the NECF is being created with the National Energy Objective in mind. 'The Objective' is the same as that which guides ESCOSA in South Australia:

*'The objective of this law is to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.'*

### What the NECF means to community organisations

For community organisations, the NECF represents a single point of contention NEM-wide, as well as a change to some provisions in the South Australian ERC. Community organisations will need to be cognisant of any changes that emerge from the final NECF as implemented, and particularly be aware that SA – as the lead legislator in energy – will be first state/territory to implement it. This is particularly important as some hardship provisions and indicators, as well as issues around security deposits and other miscellaneous items, will affect the way in which frontline workers such as financial counselors will advocate on behalf of low income and vulnerable clients.

SACOSS will continue to monitor developments in regards to the NECF, communicate with South Australian members of the MCE Standing Committee of Officials, and provide updates to the sector.

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