

Ms Kerry Connors  
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Wednesday 29<sup>th</sup> September 2010

Dear Ms Connors,

**RE: Consumer Advocacy Panel Draft 2010-12 Budget**

As you are aware, SACOSS is the peak non-government representative body for the health and community services sector in South Australia, advocating for justice, opportunity and shared wealth for all South Australians. We have drawn on the Consumer Advocacy Panel (CAP) for support on a number of occasions, including for our current South Australian National Energy Market (NEM) Reform Advocacy & Capacity Building Project (Grant AP4000). SACOSS would like to take the opportunity to reinforce the extremely important role the Panel plays in ensuring that consumer literacy about the market exists and that jurisdictional issues can be advocated into the NEM Reform processes.

The draft CAP budget represents an across the board increase of 4% on the current year's allocation. SACOSS believes this is conservative against the backdrop of upward cost pressures in the energy markets.

For example, this current financial year represents the initial year of a new five-year regulatory period for South Australia's only electricity distribution network service provider, ETSA Utilities. The average annual revenue allowance of the business will be in the order of \$700m pa.

According to ESCoSA<sup>1</sup>, South Australian electricity and gas customers annually spend in excess of \$2 billion ex-GST – with over half from residential customers, generating \$100m in GST revenue in their own right.

South Australia represents only a small fraction of the NEM, with less than 10% of energy sales occurring here.

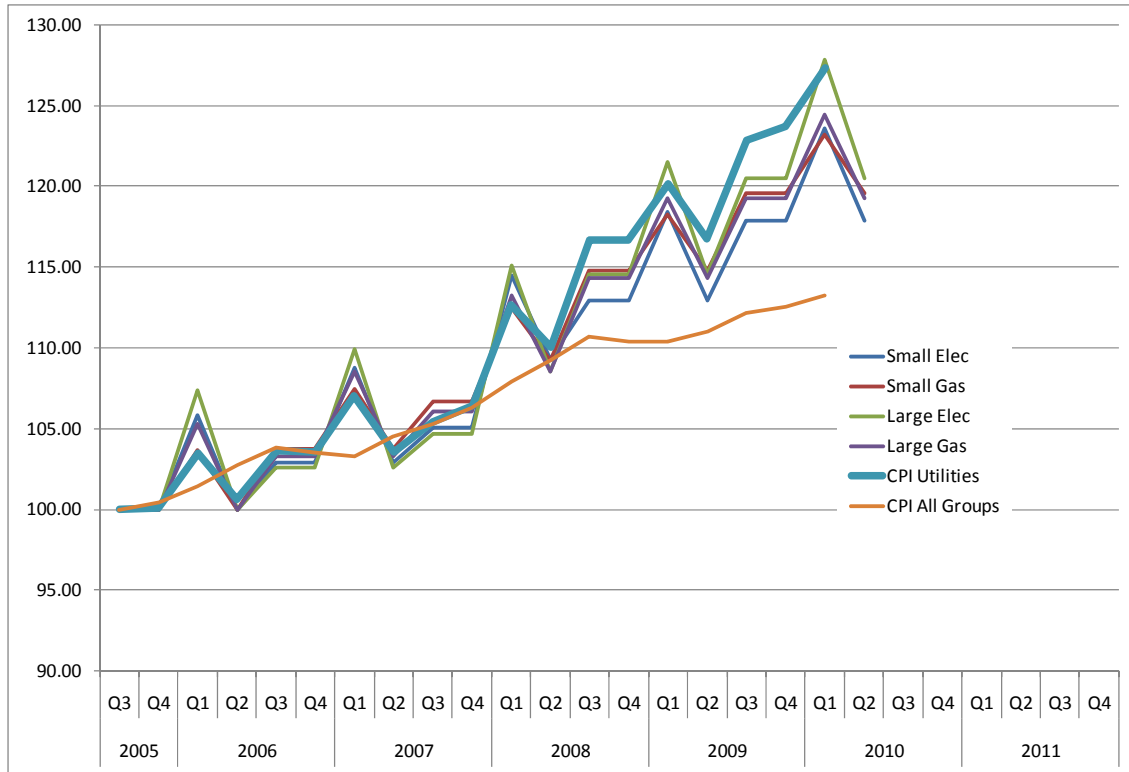
In this context, a national CAP budget below \$3m per annum which is being escalated at around the rate of CPI may in fact be regressive in the context of changes in the market. Drawing on data assembled for SACOSS's biannual *Cost of Living* reports (from published prices and ABS 6401.0),

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<sup>1</sup> Annual Performance Report 2008-9 [www.escosa.sa.gov.au/library/091117-AnnualPerformanceReport\\_2008-09.pdf](http://www.escosa.sa.gov.au/library/091117-AnnualPerformanceReport_2008-09.pdf) : Residential Electricity \$810m, Small Business Electricity \$240m, Large Business Electricity \$745m, Residential Gas \$205m, Small Business Gas \$22m, Large Gas, \$145m: TOTAL \$2.17Bn

Figure 1 clearly shows that for the majority of energy consumers the cost of energy is rapidly surpassing the standard measures of CPI.

Figure 1: South Australian Electricity and Gas Prices and ABS 6401.0 CPI indices normalised to 2005 to illustrate the recent 5-year trend



To this end, it seems to SACOSS that it might be imperative that the Panel not only continues, but in practice seeks to extend its facility to nurture the advocacy capacity of consumers within the marketplace. Presumably this would require a bigger growth factor than the proposed 4%.

In terms of the notional allocation of costs within the budget, SACOSS would like to draw the Panel’s attention to the proportion allocated to ‘research’. At around \$240,000 pa, research represents less than 10% of the grants budget and around 8% of the total – significantly less than the legislated cap of 25%.

SACOSS is of the view that this budget allocation represents an investment in innovation and ‘new ideas’, contrasting the balance of the grants budget which is set aside for capacity building and critiquing the proposals of regulators and industry stakeholders. This imbalance arguably leaves advocates locked into the ‘respond’ side of the propose-respond regulatory model entrenched in the national framework.

SACOSS therefore strongly recommends the Panel seek to increase funding to the area of research, not by reallocating existing monies but by seeking an above CPI budget increase. Hence the pool of funding available would be extended and in fact the additional funds could be clearly targeted toward proactive research directed at enabling advocates to build well researched proposals that will promote consumer interests.

Finally, SACOSS would like to draw the Panel's attention to a small numerical error in Table 3, the Draft Administrative budget. The table states that the subtotal of \$417k is 12% of the total \$2,964k – this is actually 14%. Thank you for the opportunity to feed into this process.

Sincerely,

A handwritten signature in black ink, appearing to read 'RWomersley', with a large, sweeping flourish at the end.

Ross Womersley  
Executive Director