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Dear Dr Tamblyn and Mr Ryan,

Thank you for the opportunity to comment on the Proposal for a National Energy Consumer Advocacy Body Preliminary Statement of Issues and Questions for Consultation Paper.

### **Objectives and governance**

SACOSS is of the view that the role of a National Energy Consumer Advocacy Body, in its formative years at least, is that of filling the gaps in current activities. With this in mind, the envisaged roles of information collection, collation and dissemination and research to deliver an evidence base can be considered separately from the formal advocacy activities. It is a clearly a shortfall of the current arrangements that an information ‘warehouse’ and a strategic view on research needs have not appeared. A focus on such activities would be a ‘no regrets’ initial scope for such a body.

The National Energy Consumer Advocacy Body would work most effectively and accountably as a membership based organisation to which a board is accountable. This governance structure would ensure that the activities of the organisation are well aligned with those of its members and are in fact “adding value” to current arrangements. Members are envisaged to be largely drawn from the existing pool of energy consumer advocacy organisations.

It is the SACOSS view based on years of advocacy on energy and other domains that legitimacy comes from authentic representation of consumers. SACOSS, its governance structures (such as Policy Council and Strategic Policy Advocacy Committees) and its membership are integral to ensuring that the views expressed by SACOSS are representative of the needs and priorities of a broad base of consumers.

To provide an example of how a membership based organisation can function as an effective energy consumer advocacy organisation, an outline of the SACOSS model of energy work is provided below.

### **CAP Evaluation of SACOSS**

For the information of the advisors, the following excerpts are from the CAP engaged evaluation of SACOSS in 2010-11:

“The designated capacity building grant to the South Australian Council of Social Services (SACOSS) was very successful and had built sound organisational structures to support and sustain advocacy. The other grantees had varying levels of capability, particularly around information capture and management systems. Staff turnover in advocacy organisations is high. Organisational capability is fragile and needs to be refreshed regularly.” (CAP Evaluations: <http://www.advocacypanel.com.au/resources/evaluations.html> 2010-11p.ii)

“One of the strengths of SACOSS’ approach was its ability to bring together a range of people with different knowledge and skills. The range of knowledge and skills required for energy advocacy is extraordinary. They include advocacy acumen, political skills, community knowledge and awareness, technical expertise across a range of disciplines, economic expertise, legal knowledge and knowledge of the Australian energy market and regulatory system. It is extremely unlikely that any one person could have all the skills required.” (p.7)

## **Issues**

“SACOSS provides a valuable example of effective long-term advocacy. Its achievements are based on a long-term commitment to work in this area, clear long-term goals and planning, strong, active, two-way communication with consumers and a commitment to the principle of ‘helping people find a voice.

“SACOSS has made a commitment to treat utilities as a priority issue for four years and will continue to work on the project regardless of funding. It has active support from key members and the executive of SACOSS and a long-term plan for advocacy in this area. Nevertheless, its ability to realise its long-term plans is hampered by the annual funding cycle.” (p.17)

## **The SACOSS structure**

SACOSS has a strong membership base of almost 300 people and organisations from a broad range of areas in the social services arena. Members of our organisation span both small and large agencies, peak bodies, service providers, individuals and some government departments. The SACOSS Board is responsible for the governance of the organisation; the SACOSS Policy Council, drawn from the SACOSS membership, develops policies relevant to the sector and helps to plan and develop key areas of social policy development work.

As the peak non-government representative body for community services in South Australia, the South Australian Council of Social Service (SACOSS) works to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. SACOSS’s formal energy consumer activities can be traced back to the South Australian Electricity asset privatisation process that coincided with the start of the NEM around the turn of the century. This work intensified in the lead up to Full Retail Contestability (FRC) from January 2003 and has continued through to the current context of more national regulation and price de-regulation 10 years later.

In 2004 SACOSS received its first Consumer Advocacy Panel funding to deliver a 12 month ‘Energy Consumer Advocate Training (ECAT) Project’ in 2004 (Project AP40 [www.advocacypanel.com.au/grant-publications/jurisdiction/sa/nem-training.html](http://www.advocacypanel.com.au/grant-publications/jurisdiction/sa/nem-training.html)). Regular funding for an advocacy capacity did not commence until the 2006-7 FY and has been on a year-by-year basis ever since. The South Australian Government has never provided any funding for a local capacity. ESCOSA has made provisions for a ‘small grants program’

(circa \$5k-\$10k) for specific activities and SACOSS has availed itself of this on around 3 occasions.

SACOSS also provides representatives to:

- SA Water Consumer Committee (now combined with the ESCOSA CAC)
- The Minister for Energy's Energy Consumer's Council ([www.sa.gov.au/ecc](http://www.sa.gov.au/ecc))
- Origin Energy Customer Council
- AGL Energy Customer Council

Since 2009, SACOSS has provided continuity of capacity through the use of an external Consultant. Mr Andrew Nance was the Project Officer for the original CAP funded SACOSS project (in 2004) and now forms provides research and submission drafting as part of the SACOSS capacity through a flexible but accountable support through on a 'per-hour' basis. Policy accountability is assured through regular engagement with SACOSS Policy Council and its Essential Services Group.

The SACOSS approach has been very favourably assessed by the Consumer Advocacy Panel in its evaluation of the 2010/11 Grants program. Excerpts from this CAP engaged evaluation have been included in the previous section.

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The balance of this submission responds to the question raised in the document "Preliminary Statement of Issues and Questions for Consultation".

**Page 4:**

*If there are other documents you would like to bring to our attention please provide them to the Secretariat.*

SACOSS recommends that the advisors consider the Evaluation Reports of the Consumer Advocacy Panel (available from <http://www.advocacypanel.com.au/resources/evaluations.html>)

**Page 6:**

*We welcome views and comments on the approach and wording we are suggesting for the overarching objective.*

The advisors suggest that an overall objective of the following kind should be adopted:  
*'To promote the interests of all Australian energy consumers over the long term, with respect to their access to the supply of efficiently priced, reliable and safe energy services.'*

SACOSS agree that a clear objective is a vital ingredient to effective governance and operation of the body. However, SACOSS would recommend that the advisors consider the need for effective advocacy to not just be about the energy market objectives

(acknowledging that these are fundamental) but also that the experiences of consumers 'looking back into the markets' must necessarily include the way energy markets interact with other aspects of the consumer experience. It has been the SACOSS experience that a 'silo' view of consumer issues is, in practice, not just ineffective but a contributor to consumer dissatisfaction. The advocacy body must not be overly constrained for examining interactions with other policy domains (noting that these span multiple departments at both Commonwealth and State Government levels) such as:

- Consumer Law
- Climate Policy
- Energy Efficiency
- Renewable energy
- Housing Policy
- The Tax and transfer system

#### **Page 6:**

*Comments on these proposed principles would be appreciated. Are there other guiding principles we should consider (noting the more detailed discussion of functions and activities below)?*

SACOSS is supportive of the references to state and territory activities. SACOSS is of the view however that reference should be made to acknowledging and preserving the **diversity** of consumer perspectives in the body's operation. There is no 'one-size-fits-all' approach that can effectively advocate in isolation.

The advisors attention is also drawn to some recent work published by the Advocacy Panel by RobertsBrown Pty Ltd "A Model for Effective Advocacy" ([www.advocacypanel.com.au/media/docs/A-Model-for-Effective-Energy-advocacy-c6c8e691-fec6-481f-9215-81458d472425-0.pdf](http://www.advocacypanel.com.au/media/docs/A-Model-for-Effective-Energy-advocacy-c6c8e691-fec6-481f-9215-81458d472425-0.pdf)). To quote (page 3):

*"Advocacy takes place in a contested space and involves attempting to influence the behaviour of other powerful parties... The pathways to the outcomes are subject to negotiation and development over time and are often different from what was originally envisaged. Some of the outcomes are unpredictable and there is almost always a time-lag between action by the advocate and change in market conditions. There are no straight lines and simple logics. Advocacy is a complex endeavour like raising a child rather than an inherently logical process, no matter how complicated, such as sending a rocket to the moon."*

#### **Page 8:**

*Do these references drawn from the scope of work give us sufficient guidance on the role and functions to be performed by a national advocacy body? Are there other functions and activities that should be considered?*

SACOSS has some concern about the references to '... average Australian residential and small business energy consumers'. As mentioned, the body must respect and support the

diversity of consumer needs: even the 'average' consumer may have significantly differences from the 'median' consumer.

**Page 8:**

*Do these references from the scope of work and the further comments on network regulation and the NECF provide us with sufficient guidance on the energy market related functions that should come within the role of a national advocacy body? Are there other energy market functions or issues that should be considered?*

It is difficult for SACOSS to comment on potential interactions with the Consumer Challenge Panel given the paucity of information in the public domain. However, it seems clear that the Challenge Panel will focus on network revenue determinations only. This is taken to not include the processes surrounding the setting of network tariffs for different consumer segments: this will be an inevitably contentious domain where the interests of consumer groups will diverge over revenue recovery. The advocacy body will need to be provided with clear guidance at inception on how to deal with these diverging interests if it is to operate effectively and maintain the support of consumers and their representatives.

In relation to NECF, it is the SACOSS view that implementation is far from being a 'nationally consistent' issue – given the discontinuous implementation schedule and the presence of significant jurisdictional derogations. The differing levels of competition in each jurisdiction and legacy tariff structures can be expected to have a pervasive influence of the ability for NECF to 'harmonise' the retail market functions across the NEM.

**Page 9:**

*We would welcome the views of stakeholders on this issue (...whether the role of a national advocacy body should involve representing the interests of all energy consumers, including residential and small business consumers, or whether its role should be focused principally on the interest of the smallest and most numerous energy consumers...) with reasons as to why they take one view or the other.*

The SACOSS perspective on this was encapsulated in comments from our consultant Mr Andrew Nance at our meeting with Dr Tamblyn and Mr Ryan on February 18<sup>th</sup> 2013 in Adelaide. The view put forward, and based on the SACOSS experiences in numerous electricity and gas network revenue determinations with the local regulator, ESCOSA, and the AER, is that consumer groups can readily collaborate and share resources on matters related to the dynamic and productive efficiencies of the markets (such as overall expenditure plans, market power and competition issues). However, the efficiency objectives of the markets also encompass a third dimension of allocative efficiency. And this is where the consumer interests often diverge.

The 'small consumer' cohort of residential and small business is a formally recognised segment of the regulatory framework and the advocacy body could contain its scope to this group for the same reasons that the NECF does not cover larger consumers. However, it is

also important to note that there is also some differences within this cohort – on strategic matters such as the Value of Customer Reliability (VCR) for example where small business consumers have indicated a much higher willingness to pay for reliability than households.

It is the SACOSS view that this is challenging enough without considering the even greater differences in priorities and needs between small and larger consumers. SACOSS is confident that there remains significant overlap with the interests of all consumers that advocacy success on productive and dynamic efficiency issues will ‘spill over’ to larger consumers and that collaboration with existing large consumer advocates is not only possible but desirable and achievable.

### **Page 9**

In relation to Skills and Experience, SACOSS is of the view that the governing body and staff composition of any national body must include the capacity to understand and interact with other policy and regulatory domains, not just energy markets but the interactions with these other areas.

### **Page 10:**

*We will be analysing the budgetary requirements for a national advocacy body in further detail but would welcome any stakeholder comments and suggestions on budgetary issues and implications we should consider as part of that work.*

SACOSS would like to draw the advisors attention to the indexation of funding. The CAP budget has operated as a diminishing percentage of market turnover since inception. The end result is an aggravated asymmetry between consumer advocacy capacity and the capacity of the energy supply industry to prosecute its perspectives.

We note that the energy industry advocates a range of perspectives from a range of organisations as well as from the perspective of individual enterprises. The industry is represented in various forms by formal organisations such as:

- The Energy Supply Association of Australia (esaa)
- The Energy Retailers Association of Australia (ERAA)
- Energy Assured Ltd
- Energy Networks Association (ENA)
- Grid Australia
- The National Generators Forum (NGF)
- The Private Generators Group (AGL, Alinta, Energy Brix, Intergen, IP GDF Suez, NRG, Origin, TRU)
- Australian Financial Markets Association (AFMA)

All of these organisations actively participate in regulatory processes and with demonstrable influence.

An example of the resource asymmetry would be in the Rule Change processes administered by the AEMC. The AEMC has processed over one hundred rule change applications yet while there have been a number of supply industry initiated proposals there

has never been, to SACOSS's knowledge, even one successful consumer-initiated rule change request despite several attempts.

**Page 11:**

*We will be developing and assessing funding models in greater detail but would welcome comments and suggestions from stakeholders on possible models and their implications at this stage of our work.*

The supply industry has a legitimate right to advocate its interests and does so from market (i.e. consumer) revenue (and with shareholder sanction). SACOSS would welcome a funding arrangement that delivers greater balance in resources and that this can come either from expanding the capacity of consumers to advocate for themselves (especially small consumers who will inevitably suffer from an extreme free-rider problem under a direct user-pays model) or by regulating (i.e. limiting) the expenditure by market participants.

**Page 11:**

*We would also welcome stakeholder comments on issues and implications associated with the role of the CAP, including the possibility of the reallocation of CAP funding into a national energy consumer advocacy body and incorporation of that function into the advocacy body.*

SACOSS is of the view that the consumer interest is best served by continuity and consistency of advocacy resources and is therefore reticent to contemplate the national body as a replacement for existing resources – it is, in our view, necessarily a complement. One area where a reallocation could occur would be in relation to the 'Research' funding stream from the CAP where there is currently no requirement for the funded research to be linked to identifiable advocacy outcomes. SACOSS notes that a membership based national energy advocacy organisation would have solid links to the existing pool of energy consumer advocacy organisations, and this would result in new national research being well aligned to identifiable advocacy outcomes.

**Other matters**

SACOSS would like to draw the advisors attention to a number of other matters that are summarised below:

- In terms of the energy markets specifically, consumer segmentation is largely based on annual consumption. Residential is a segment in its own right in some applications (eg network tariffs, retail pricing, consumer protections). In terms of network reliability (and analysis of willingness to pay for reliability) rural consumers are identified explicitly through the monitoring of reliability for consumers connected to rural short and rural long feeders.
  - Non-metro consumers have some distinct issues that the national body must be able to cater for. For example refer to Advocacy Panel project AP414 "Energy infrastructure in regional South Australia - baseline study of consumer issues and advocacy" ([www.advocacypanel.com.au/grant-](http://www.advocacypanel.com.au/grant-)

[publications/jurisdiction/sa/energy-infrastructure-in-regional-south-australia-baseline-study-of-consumer-issues-and-advocacy.html](#))

- The only other segmentations within residential are for essential medical needs, and in relation to concession eligibility.

Thank you for your consideration of these comments. If you have any questions relating to the above responses, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via [jo@sacoss.org.au](mailto:jo@sacoss.org.au)

Yours sincerely,

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

Ross Womersley  
Executive Director