

QUEENSLAND COMPETITION AUTHORITY

MINUTES OF CONSUMER ADVISORY COMMITTEE MEETING

WEDNESDAY, 26 FEBRUARY 2014 – 10:00AM

LEVEL 27, 145 ANN STREET, BRISBANE

PRESENT:

Members

Mr Charles Millsted (Queensland Competition Authority, Presiding Officer)

Mr Ian Jarratt (Queensland Consumers Association)

Ms Nadine Lester (Queensland Council of Social Service)

Mr Jonathan Pavetto (Queensland Cane Growers Association)

Ms Julia Mylne (Chamber of Commerce and Industry Queensland)

Ms Robyn Robinson (Council on the Aging)

Observers

Mr Gary Sacre (Energy and Water Ombudsman Queensland)

Mr Rodney Cameron (Department of Energy and Water Supply)

Mr David Kearney (Department of Energy and Water Supply)

Mr Adam Liddy (Queensland Competition Authority)

APOLOGIES:

Ms Carly Allen (Queensland Council of Social Service)

Dr Malcolm Roberts (Queensland Competition Authority)

Ms Shirley Schurmann (Financial Counsellors' Association of Queensland)

- 1 Previous minutes** The Committee resolved that the minutes of the meeting held on 26 November 2013 be accepted as a true record of proceedings.
The QCA updated members on further information received from Ergon Energy on how it deals with potential hardship customers.
- 2 QCA website** Members discussed the new QCA website. Members gave feedback and suggestions for improvement.
- 3 Market offers** QCOSS discussed the results of research it had conducted into market offer information. QCOSS suggested improvements for the QCA price comparator and highlighted inconsistencies in the way retailers provide information to consumers. Members discussed how requirements in the Electricity and Gas Codes allow for retailers to provide information in different formats and the impact on consumers of this ambiguity.

- 4 Retail price determination 2014-15**
- The QCA updated members the retail price determination process for 2014-15. The QCA informed Members the approach to setting regulated retail electricity prices would be similar to that followed in 2013-14, as there had been no major policy changes or issues raised in submissions that would affect the methodology.
- The QCA informed members that, due to the current uncertainty around the possible repeal of the carbon tax, the QCA would calculate notified prices both inclusive and exclusive of the carbon tax.
- Members discussed the impact on farmers and irrigators of the floor and escalation factors that were applied to transitional tariffs in the Draft Determination. Members discussed the relationship between peak and off-peak pricing and its impact on consumers.
- The Department of Energy and Water Supply undertook to provide further information to Members regarding discussions about dividend and other revenues from energy GOCs as part of the 30-year strategy deliberations and further detail on DEWS' approach to the AER Regulatory Reset for Ergon and Energex.
- The QCA updated Members on the major cost factors impacting on retail prices, including wholesale energy costs, the Solar Bonus Scheme and network costs. Members discussed the requirement for the QCA to base tariffs on network prices approved by the AER, and in particular the impact of the rate of return network businesses earned under the AER process.
- The QCA encouraged Members to provide submissions on the draft determination, and reminded Members that submissions close on 28 February 2014.
- 5 Advice on uniform tariff policy and regional price regulation**
- The QCA updated Members on the advice to government on the Uniform Tariff Policy (UTP) and regional price regulation, including the issues paper released by the QCA. Members discussed the UTP, its aims and how it could be applied in future.
- Members discussed general issues around regional price regulation when prices were deregulated in south-east Queensland. Members discussed the current price determination process and how it may apply to regional customers.
- Members discussed the Ergon review of network tariffs, and the difficulties in establishing a network price that would apply across all zones of the Ergon network and how that may impact the development of retail competition.
- Members discussed how any move to base retail prices on Ergon's tariff structure could affect the structure of retail prices, and cause confusion for regional customers accustomed to retail tariffs based on Energex network prices.
- Members discussed customer engagement in general and how a customer engagement strategy could be tailored to target different consumer groups.
- The QCA encouraged Members to provide submissions on the issues paper, and reminded members that submissions close on 28 February 2014.

- 6 Requested amendments to notification provisions in the Electricity Industry Code** The QCA updated Members on amendments to the Electricity Industry Code (the Code) requested by the Minister for Energy and Water Supply. The QCA noted the complications in considering a rule change with the impending implementation of the NECF, that it had considered comments made in submissions and was currently considering the amendments in light of the Code objective
- 7 Code enforcement issues** The QCA updated members on three Code contraventions by EnergyAustralia, and three Code contraventions by Origin Energy.
Members discussed whether it was appropriate for retailers to compensate wrongfully disconnected customers even though the Code does not require it. The Energy and Water Ombudsman Queensland informed Members that retailers voluntarily compensate consumers in many cases.
- 8 Other decisions since last meeting** Members discussed the December 2013 report to the Minister and September quarter statistics for:
- small customer disconnection, hardship and complaints
 - market customer statistics
 - distributor Minimum Service Standard and Guaranteed Service Level reporting
- The QCA undertook to notify Members by email when quarterly statistics were released.
- 9 Forward work program** Agenda paper noted
- 10 EWOQ update** EWOQ updated members on recent activities. Members were informed that from July 2013 to end of January 2014, EWOQ has taken 8,769 cases and closed 8,883 cases (includes a small component of water cases). Of these, 3606 were relating to billing issues, 1565 related to credit issues, 559 related to customer service issues and 496 related to transfer issues.
EWOQ has undertaken three projects to note:
Payments not in dispute policy/procedure - Under the policy, which came into effect on 2 January 2014, where a customer unreasonably refuses to pay that part of a bill which is not in dispute the Energy and Water Ombudsman or delegate may refuse, under the provisions of the Energy and Water Ombudsman Act 2006, to investigate the dispute referral or, having started to investigate the dispute referral, may refuse to continue the investigation, because they are reasonably satisfied that the dispute referral is vexatious or not made in good faith.
Independent review of EWOQ – was commissioned by the EWOQ Advisory Council and undertaken by an independent consultant, in keeping with the National Benchmarks for industry based consumer dispute resolution schemes. These benchmarks include accessibility, independence, fairness, accountability, efficiency and effectiveness. Consultation was undertaken with a number of EWOQ stakeholders, including staff, to ascertain EWOQ’s capacity to meet these benchmarks. Overall, EWOQ scored, on a fractional rating for the six benchmarks, between 7.5 to 8.5 out of 10. Whilst this is pleasing, EWOQ is certainly not complacent and will be looking to improve its services by addressing the recommendations identified in the report.

Customer satisfaction survey of electricity retail providers – was recently completed whereby 101 customers who had a billing or credit complaint from a cross section of retailers was surveyed, with a view to assisting retailers improve their customer service standards. The survey found that some 80% of customers thought that the level of service provided by their retailer was ‘poor to very poor’. In addition, customers advised that call waiting times were unacceptable, with some customers waiting up to 20 minutes. As a result of the survey, EWOQ has made a number of recommendations to retailers, focussing on those areas of customer service that need improvement.

11 DEWS Update DEWS provided Members with the following update on Queensland Government Energy Sector Reform Key Initiatives.

National Energy Customer Framework

As you’re aware, the government agreed to implement the NECF by mid-2014 in its response to the IDC report.

However, in agreeing to implement the NECF, the government made clear that variations were needed to support regional Queenslanders and to further enhance outcomes from planned electricity sector reforms.

DEWS recently consulted with stakeholders on a number of proposed variations. Some representatives here were involved in that consultation process.

The government is still considering these variations in light of the Electricity Sector Reform Program to ensure the NECF package is implemented in the best interests of Queenslanders.

A mid-2014 commencement is not likely, but stakeholders will be informed about NECF implementation in Queensland as soon as a decision is made in this regard.

Price Monitoring Update

The AEMC’s 2014 review of electricity retail market competition in NEM jurisdictions (small customer electricity and natural gas retail markets) is underway. The publicly available Approach Paper for this review details the AEMC’s plan to conduct a more detailed analysis of SEQ in this review (because of the Government’s plan to move to PM). Submissions to the AEMC are due by 28 February.

Legislation to implement PM is being developed, as is a consumer engagement strategy aimed at ensuring SEQ customers are properly engaged in the retail market.

Consultation is continuing with the QCA on its proposed price monitoring role.

Consumer Engagement

DEWS is progressing with the development of a consumer engagement strategy.

Independent Market research was conducted in late 2013 - to support the identification of ways to increase customer education and support customers to better position themselves in the market and obtain the most benefit from increased competition delivered through the reform program.

Update re 30 year electricity strategy

The implementation of a number of key reforms is also being guided by

feedback received through the 30 Year Electricity Strategy consultation process.
30-year electricity strategy consultation process

The three month consultation period on the 30-year electricity strategy discussion paper closed on 6 December 2013. A total of 144 submissions and 1331 survey responses were received in response to the discussion paper.

Consultation themes

Key high-level themes broadly supported by a majority of stakeholders include:

- The need for Government to minimise policy and regulatory uncertainty to allow the market to operate effectively and efficiently.
- Improve national collaboration between jurisdictions on emerging and longer-term issues that will impact the operation of the National Electricity Market.
- The importance of the increasing role of the consumer in Queensland's electricity supply system together with the need to improve engagement and education activities.
- Concerns about the appropriate mechanisms to address future challenges and changes in energy demand and market structure. There was broad support for Queensland's development of a long-term strategy to proactively address these issues.
- High-level themes where views were polarised between industry and individual residential customers include:
- Industry groups were largely supportive of a market-driven approach in regards to electricity sector investment while individual residential customers and environmental groups expressed strong interest in supporting investment in renewable energy, including the Solar Bonus Scheme.
- Industry stakeholders were largely supportive of privatisation and deregulation, while individual residential customers were generally not supportive.

Specific feedback on consumer issues

Feedback from retailers, consumer groups and distributors surrounding customer protections, rebates, assistance and consumer engagement indicated strong support for the National Energy Customer Framework being adopted with some groups requesting Queensland specific derogations.

Individual residential customers expressed their need for an independent body to protect residential customers from unchecked escalating prices and adequate provisions for low income/vulnerable consumers.

There was broad support for reforming rebates to target those most in need, as well as improving education and energy efficiency awareness and supporting consumer engagement through information that is easy to understand and compare.

Finalisation of strategy

The development of the final Strategy is underway with further consultation on specific issues to be undertaken as necessary. It is expected that the final Strategy will be released mid-2014.

Other Policy Issues outside the Reform package

On-supply

DEWS has completed its assessment of the on-supply market in Queensland, and in consideration of the issues raised through the discussion paper process and in the context of broader electricity reforms, there are in essence 2 key issues, these are:

1. A lack of consumer protection mechanisms for small on-supply customers (receivers), including access to the electricity rebate, hardship programs and a dispute resolution service; and
2. A lack of access to the competitive electricity retail market for both small and large receivers.

DEWS is undertaking two projects through its Electricity Sector Reform program that will aim to address these issues including, implementation of the National Electricity Customer Framework (NECF) and support of national reform measures that are in the interests of Queenslanders - for the on-supply sector, this includes the Australian Energy Market Commission's (AEMC) Power of Choice reform initiatives.

Under the NECF, receivers will gain access to various consumer and pricing protections in accordance with the relevant conditions of the Australian Energy Regulator's (AER) Exempt Selling Guidelines (Guidelines).

However adoption of the NECF will still deny small receivers access to a dispute resolution service. At this stage it is not proposed to allow access to the Energy and Water Ombudsman Queensland for receivers until any impacts from implementing the NECF and the Guidelines can be assessed.

Under the AEMC's Power of Choice reform package, the Australian Energy Market Operator (AEMO) has been tasked with developing a National Electricity Rule (NER) change which, if successful, will provide the option for receivers to establish a connection with a retailer. It is anticipated this will be achieved by defining connections points between the on-suppliers network and downstream receivers as connection and settlements points under the NER. AEMO is currently developing the design of this proposal and is expected to submit a rule change request to the AEMC by July 2014

EWOQ Access Arrangements

DEWS is assessing the merits of expanding EWOQ access arrangements in Queensland. Preliminary discussions have been held with EWOQ and DEWS will work closely with them throughout this process. Further information will be available in due course.

Move In Move Out (MIMO)

A recommendation has been made to the Minister. More information will be available at such time a decision is taken on the matter

Statistics

A total of 1127 cases were investigated by DEWS in the 2013 calendar year, this is an increase of 24% on 2012 cases.

Billing, fees and charge still remains the highest complaint category with 361 cases investigated in 2013, an increase of 29% in comparison with 2012.

Solar issues also continue to be high with 250 cases investigated in 2013, an

increase of 250% in comparison with 2012, however this can be attributable to changes to the FIT and eligibility for 44cents etc.

General
business

Next meeting The next ordinary meeting of the committee will be held on Wednesday 28 May 2014 from 10:00am to 2:00pm.