



## Retail Electricity Pricing Inquiry public forum - Adelaide

This document is not a verbatim record of the forum but a summary of the issues raised by forum attendees.  
The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised here.

Monday 31 July 2017, 5:00pm – 7:00pm  
Rydges Hotel  
1 South Terrace, South Terrace, Adelaide, SA

### Attendees

#### **Australian Competition and Consumer Commission**

Roger Featherston, Chairman

Jim Cox, ACCC Associate Commissioner, AER Board Member

ACCC staff: Baethan Mullen, Rebecca Holland, Tania Jeffries, Romina Bognolo

### Interested parties

Approximately 25 interested parties attended the forum

### Introduction

Commissioner Roger Featherston welcomed attendees, introduced Mr Cox and ACCC staff present and outlined the purpose of the forum and the role of the ACCC generally and in relation to electricity in the current inquiry. Attendees were informed that the matters discussed at the forum would be recorded for the ACCC's purposes, but that this summary would not identify or attribute comments to individuals.

Baethan Mullen, General Manager, Retail Electricity Pricing Inquiry, gave an update on the Inquiry and an overview of submissions received in response to the ACCC's Issues Paper. He stressed the wide range of issues covered by the submissions received from consumers, small and large businesses and electricity industry participants such as retailers. These included the difficulties consumers face comparing offers, problems with discounts and difficulties with understanding bills and switching. A summary of submissions is available on the [ACCC website](#).

Mark Henley, Uniting Communities spoke of the hardship experienced by many consumers in South Australia who struggled to pay their electricity bills. Mr Henley noted that there is no

competitive retail electricity market in Australia, only oligopoly markets, and no competitive pricing. Victoria is the only one that comes close.

Mr Henley explained that the many people in South Australia spend two thirds of their income on rent and electricity. After rent, electricity was the largest bill that they need to pay and as a result they often go without food or medicine. There was a huge impact on these people by rising electricity bills. March is a tough time with the summer bill coming in and with a 20 per cent rise in electricity prices, next March is likely to be very difficult.

Mr Henley also raised concerns with the marketing practices of retailers, noting that they penalise customers for loyalty, only offering discounts to them when they decide to switch retailers. Mr Henley also noted concerns with illusory discounts and the difficulties that customers face in shopping around for electricity offers.

Mr Henley explained that it is difficult for people to get on to hardship programs and that for those on low incomes it was very easy for them to lose any offered discounts.

Mr Henley also noted that the removal of limited merits review for AER decisions in relation to network businesses is a good thing. Investment is also plummeting due to the removal of the carbon price. Uncertainty in wholesale markets had dramatically affected investments.

Andrew Nance, the Energy Project explained that electricity as a commodity is a new idea and that there are limits to how far you can take market-based delivery of an essential service. The price of electricity floats towards the level of the consumer's willingness to pay rather than at a level of the efficient cost to serve.

Mr Nance explained that in South Australia privatisation itself has not created issues, rather it is the way that the privatisation was done. Most assets went to AGL and since then other smaller retailers have only been able to gain 50 per cent of the retail market. AGL holds the remaining 50 per cent. South Australia is an example of the structural limitations of vertical integration and this is something the ACCC needs to look at. Rapid rising gas prices hit South Australia hard and without progress on gas prices there will not be progress on electricity.

Commissioner Roger Featherston invited the attendees to contribute comments in response to the topics of interest to the Inquiry.

## **Summary of issues**

Attendees discussed the following issues at the forum.

### **South Australia**

- There is a lack of competition in South Australia, and South Australia has a monopoly network business which makes it unique.
- In Australia there is often a focus on the Eastern states which have different circumstances and ways of thinking that do not work for South Australia. Many participants noted that in the past, generators in South Australia ensured reliable supply and this meant that South Australia was not reliant on the east coast.

## **Vulnerable consumers**

- There are many people on low incomes suffering a great deal due to high prices. Due to the high cost of rent and electricity some people can't afford food or medication. People will not turn on heating or cooling when they need to due to the high prices. This is also causing stress and depression.
- Governments are axing programs that help vulnerable people, for example the Home Energy Savings Scheme. Organisations running such programs need certainty regarding government funding in order to continue.
- Many gave accounts of real life stories of what people on very low incomes were facing in order to demonstrate the impact of high electricity pricing.
- Those consumers who do not have solar pay more and subsidise those consumers who do have it. Those on low incomes will not have the ability to buy batteries or invest in solar and will be disadvantaged.

## **Comparison sites and Energy Made Easy**

- Many consumers have difficulty navigating the AER's Energy Made Easy website. Improvements could be made to enable consumers to make an informed decision, more clearly display results and give consumers the option to compare all results (it is currently limited to three).
- Energy Made Easy also gives simplistic and unhelpful recommendations on the site regarding how to cut electricity use.
- One suggestion to improve Energy Made Easy is to allow consumers to enter their meter number and then this could enable results to be populated based on actual usage. This could be similar to the way that the Australian Tax Office populates forms based on tax file number.

## **Transparency and billing / retailer behaviour**

- Electricity bills are complex and there is no uniformity amongst retailers. Consumers are unable to compare offers or work out their usage. The bar graphs on the bills are too inaccurate to provide useful information.
- There is also no billing transparency. Consumers are not given the transmission and distribution components of the bill and there is no definition to explain the supply charge.
- Attendees made recommendations to improve bills, including requirements for uniform forms and billing across all retailers, free tribunal to settle disputes, access to detailed consumption data and the use of electricity brokers.
- Retailers should explain why tariffs and supply charges increase well in advance of price increases.
- Retailers are not responsive when consumers ask questions or want copies of their previous bills and obfuscate customers when they try to settle disputes. Information on retailers' websites is difficult for many consumers to access and is often unhelpful.

## **Rising prices**

- South Australia has the most expensive electricity prices in the world and therefore increasing electricity prices is a particular issue for South Australia. Price is the most important thing and was more important than clean energy and renewables.
- Cost reflective pricing is problematic. It would be difficult for households or businesses to respond well to pricing changes. At least 40 per cent of the population have no ability to respond to pricing signals.
- The ACCC should monitor prices which should be kept in line with the consumer price index.

## **Privatised market**

- Strong regulation is needed and the ACCC should not shy away from talking up the importance of regulation. There are concerns that current regulation was not working.
- It is unclear whether competition can serve consumers when it comes to an important essential utility. Some attendees consider that the electricity supply chain should go back to government ownership as it is more cost effective than having many private companies.
- Concerns were expressed about foreign ownership of electricity companies.
- In some states, the presence of consumer community groups as electricity retailers exerted competitive pressure on AGL which resulted in AGL increasing its feed-in tariffs.

## **Metering**

- Deregulation of metering would present an opportunity for energy companies to increase customer charges and that there would be a loss of economies of scale.
- Households should own meters or there should be an independent company responsible for them.
- The supply of metering by competing retailers will make it difficult for consumers to get access to information about their electricity consumption.

## **Other issues**

- It is important for the AER to provide historical data regarding retailers and prices when requested. This information is important to show the retailers' change in prices. There is a need for consumer protection from system failure.