

Electricity matters:  
Interviews with Queensland small  
end-users and their advocates

CCCL Research Paper

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# Acronyms

ABS – Australian Bureau of Statistics

CCCL – Centre for Credit and Consumer Law

CSOs – Community Service Obligations

ECC – Energy Competition Committee

ECPO – Energy Consumer Protection Office

ESC – Essential Services Commission (Victoria)

FC – Financial Counsellors

FFC – Farm Financial Counsellors

FRC – Full Retail Competition

NEM – National Electricity Market

NSW – New South Wales

QLD - Queensland

RAPS – Remote Area Power Supply

RECs – Regional Electricity Councils

SWER – Single Wire Earth Return

UK – United Kingdom





# Executive Summary

The study was undertaken to provide information on consumer needs and issues with respect to electricity matters in Queensland. Sixty participants comprising of residential users and a range of advocates from metropolitan and regional Queensland were interviewed in order to identify key issues for small end-users (consumers) in relation to electricity retail and supply matters. Small end-users comprise all customers who use under 100 megawatt hours or less than \$10,000 worth of power per annum. Interviews were conducted in 2005/2006 and involved participants from across Queensland.

The study was undertaken as part of a broader national agenda by government to fund research on issues of relevance to the National Electricity Market (NEM) and, in particular, identify the nature of participation of small end-users in the NEM.<sup>1</sup> No similar study had been conducted previously in Queensland.

In line with the focus on the NEM the objectives of the research were to:

- Identify the key issues for small end-users in electricity reform
- Ascertain the current levels of involvement of small end-users in NEM developments
- Identify the barriers to participation in NEM developments

Specific research questions canvassed with small end-users included the following:

- Canvassing the experience and knowledge of electricity issues, the electricity industry and regulatory arrangements among small end-users.
- Gathering suggestions on regulatory and non-regulatory reforms in relation to consumer protection.
- Obtaining feedback on the possible impact of full retail competition (FRC) in Queensland in 2007.
- Ascertaining the extent of consumer and advocacy involvement in debates and discussions about electricity including the NEM.
- Gathering feedback on demand management strategies and renewable energy use (residential users only).

Key research findings for both residential users and advocates found that:

- Electricity was identified as an essential service in peoples' lives and was high on their list of comparable essential services.
- Small end-users tended to respond to electricity as a reactive rather than proactive issue.

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<sup>1</sup> This study was funded by the National Consumers Electricity Advocacy Panel (see footnote 5).

- Generally speaking electricity was only of concern to residential users and small business when the supply was affected or when the bill was due.
- Most residential users interviewed viewed electricity supply as reliable and charged at an acceptable price.
- There was a lack of knowledge among residential users about electricity delivery, the regulatory framework, the impending introduction of FRC and the difference between supply and retail matters.
- There was a lack of overall consumer involvement, interest and engagement with debates about electricity issues and the regulatory framework.
- There was little or no knowledge among residential users about the existing energy complaints body (Energy Consumer Protection Office (ECPO)).
- There was a general interest among half the residential users in sustainable, environmentally-friendly energy delivery and demand management.

There were differences in focus and viewpoint between the different stakeholders.

- Advocates specialising in the energy area were the most informed, knowledgeable and engaged in debates about electricity issues at a state and national level.
- The level and the type of issues people face depended on location (metropolitan, rural or regional) and what kind of user they were (residential user, small business or small farmer).
- Regional Electricity Councils (RECs), peak farm bodies and farm financial counsellors were focussed mainly on supply issues when compared with other groups.
- Consumer advocates, the energy advocate, financial counsellors and community service organisations identified a lack of resources in the Queensland consumer movement to deal fully with energy issues.

Specific issues relating to the introduction of FRC included the following:

- Most residential users and many advocates were unaware of the impending implementation of FRC.
- There was general uncertainty about the impacts of FRC and its potential benefits.
- There were concerns from participants that the introduction of FRC would be similar to the opening up of the telecommunications market, including being subject to significant marketing pressure and a lack of consumer protection.
- There were divergent opinions about whether people would switch from a standard contract to a market contract with the introduction of FRC.
- Residential users and some rural advocates expressed disenchantment at the sale of elements of the Government owned monopolies Energex and Ergon and the introduction of FRC.

A range of reforms were suggested for the pre-FRC and post-FRC environments by residential users and advocates in response to the issues they raised. The common recommendations among most groups were the need for:

- The establishment of an independent complaints handling body for energy matters.
- More resources for advocates to engage with policy advocacy and debates.

Specific recommendations particular to each group (residential users and a range of different advocates) are outlined below.

### **Residential Users**

- Reliable electricity delivered at a reasonable price.
- The need for renewable energy choices in the new FRC environment.

### **General Consumer Advocates**

- More transparent consultation processes with government on energy matters.
- Effective retail and marketing codes.
- Access to the uniform tariff for all customers.
- The establishment of a standard contract.
- Sufficient consumer protections to ensure that there is informed consent when customers sign on to a new energy retail contract.
- Effective hardship policies implemented by retailers.

### **Environmental Advocate**

- Ensure that tariff structures do not undermine energy efficiency.
- Ensure that FRC does not undermine the business viability of renewable energy as well as the demand management efficiencies of small/medium enterprises.
- More government leadership on renewable energy and demand management, including the development of policies on renewable generation and carbon trading.

### **General Financial Counsellors and Community Service Organisations**

- Improvements in negotiation of payment plans for clients between retailers and financial counsellors.
- Improved retailer and distributor internal dispute resolution systems to handle customer complaints.
- Transparent and easy-to-understand energy contracts.
- Community education regarding energy use.
- More transparent tariff disclosure for residential users.
- Improved concessions and energy relief system for those experiencing financial hardship.

### **Peak Small Business Bodies**

- Improved reliability, including increased generation capacity in North Queensland.
- Improvements in the network, particularly in relation to ageing power grids in South-East Queensland.

- The passing of any savings in bulk power purchases to retail customers in embedded networks.
- A system of better compensation for outages where compensation matches the actual loss.

### **Regional Electricity Councils**

- Improvements in the network's load bearing capacity for metropolitan, regional and rural areas of Queensland including the high growth areas in South-East Queensland and those currently on single wire earth return (SWER) lines in regional and rural Queensland.
- Improvements in services for those not able to access grid power.

### **Peak Agricultural/Farming Bodies and Farm Financial Counsellors**

- Maintenance of uniform tariff and equivalence in pricing no matter where one is located in Queensland.
- Assurance that no negative price impacts are felt in rural and regional Queensland with the introduction of FRC in South-East Queensland.

### **Conclusion**

There were a number of common themes running through the interviews, although different groups tended to emphasise different issues as being more important. People in South-East Queensland were particularly concerned about the impact of FRC. Throughout Queensland reliability of supply was a common theme.

Electricity is seen as an essential service, albeit, a service that most people take for granted – until the power goes out or the bills cannot be paid. In these circumstances electricity becomes a priority.

# Introduction

Electricity is an essential service and is the most widely used source of energy in Australian households. In 2005 ninety-nine percent of every household used electricity for some purpose. It is, for the most part, convenient and reliable and relatively inexpensive when compared with energy prices in other developed countries. Perhaps, because of this relative certainty many householders take the delivery of energy to their homes for granted.<sup>2</sup>

In 2005/2006 the Centre for Credit and Consumer Law (CCCL) at Griffith University undertook a qualitative research study examining electricity issues for small-end users in Queensland. The Centre for Credit and Consumer Law is an academic centre established to be a source of expertise on credit and consumer law issues including energy issues. It has the overall objective of promoting the attainment of a fairer, safer, and more efficient marketplace, for consumers generally and for low income and vulnerable small end-users in particular.

This is the first time a survey of consumer attitudes on electricity issues has been undertaken in Queensland by an independent research body. The results of these interviews with small end-users in Queensland will establish a basis for comparison of key electricity issues for Queenslanders with other jurisdictions. In doing so the study provides a snapshot of consumer perceptions on electricity matters including supply, retail, hardship and sustainability issues. This study is only a beginning. More comprehensive research work on this area remains to be undertaken.

This research was undertaken in the context of significant policy debates and legislative reform at state and national level about the way electricity is managed, marketed and sold. This includes competition debates about improving efficiencies in the national electricity market and environmental debates about energy use.<sup>3</sup> Informing this policy debate is wide-ranging research on energy matters in relation to consumer needs and issues.<sup>4</sup>

In order to give context to the research findings some additional background is provided in this report on recent changes to energy policy in Queensland along with a brief outline of consumer energy advocacy in Queensland (Chapter One). This is followed by a short literature review in Chapter Two on research in other jurisdictions. The research methodology is outlined in Chapter Three. The overall findings of the research are outlined in Chapter Four. More detailed findings are provided on the outcomes of the residential user focus groups and individual interviews with advocates in Chapters Five and Six respectively on the basis of the questions that were asked.

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<sup>2</sup> ABS, (2006) *Australian Social Trends*, 4102.0.

<sup>3</sup> Energy Futures Forum (2006) *The Heat is On The Future of Energy in Australia*. A Report by the Energy Futures Forum, Commonwealth Scientific and Industrial Research Organisation (CSIRO); Energy Reform Implementation Group (2006) 'Energy Reform Implementation Group Discussion Papers'.

<sup>4</sup> An underlying rationale for this study is Ministerial Councils of Energy agenda to build the capacity of small end-users (residential users, small business and farmers) to respond to and feed into national discussions in relation to the National Electricity Market (NEM). This agenda is articulated by the National Consumers Electricity Advocacy Panel. 'The Advocacy Panel was established in 2003 to grant funds to representatives of domestic and business electricity customers for advocacy on the development on the National Electricity Rules and the national electricity market.' It is constituted under the National Electricity Rules, [www.advocacypanel.com.au](http://www.advocacypanel.com.au).

# Chapter 1: Energy Issues and Advocacy in Queensland

## 1.1. Energy issues in Queensland

### 1.1.1. The Impact of Competition Policy for Queensland

From 1<sup>st</sup> of July 2007 Queensland consumers will be able to purchase electricity from a range of private retailers (as opposed to Government-owned retailers). The introduction of full retail competition for residential consumers and small business that use less than 100 megawatt hours of power per annum will potentially enable all Queenslanders to choose whether or not to stay on the government's standard (regulated) contract or enter into a market contract with the retailer of their choice. Initially this choice will only be available to customers in South East Queensland and possibly larger regional centres where there is a profit opportunity for private retailers.<sup>5</sup> Integral to the introduction of FRC in Queensland has been the sale of the retail arm of the Government owned corporations Energex (whole) and Ergon (part).<sup>6</sup>

The introduction of FRC in Queensland and elsewhere in Australia is an outcome of National Competition Policy which is essentially a nationally coordinated economic reform agenda.<sup>7</sup> Public utilities including electricity generation, transmission, distribution and retail elements, traditionally government monopolies in Australia, are part of this reform. The hallmarks of this policy reform include structural, regulatory and pricing reform in order to introduce greater competition into electricity generation and retailing. This reform includes the establishment of a National Electricity Market (NEM) in the Eastern states.<sup>8</sup> The national market objective is to maximise the efficiency of the market in the long term interests of consumers.<sup>9</sup> What this actually means is still unfolding.

In 1998 the NEM began operating as a wholesale market for the supply of electricity in Queensland, New South Wales, the Australian Capital Territory, Victoria and South Australia. Tasmania joined the NEM in 2005. Key components in this reform process were the

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<sup>5</sup> GHD (Consultants) (2005) *Report to Queensland Treasury Full Retail Competition: Cost Benefit Analysis Report*, Brisbane.

<sup>6</sup> Ergon customers above 100 Megawatt hours are to be sold. Most of the customers under this capacity are not considered to be contestable and therefore Government ownership of this customer base has been retained.

<sup>7</sup> Independent Committee of Inquiry into Competition Policy in Australia (1993) *National Competition Policy: Report by the Independent Committee of Inquiry into Competition Policy in Australia*, (Professor F. Hillmer, Chairman), AGPS, Canberra; CoAG (Council of Australia Governments) Energy Market Review (2002) *Towards a Truly National and Efficient Energy Market, Final Report* (W.Parer, Chairman), AusInfo, Canberra.

<sup>8</sup> Productivity Commission (2005), *Review of National Competition Policy Reforms*, No.33, Australian Government, Canberra, xv, p.403.

<sup>9</sup> The National Electricity Market Objectives is: "The national electricity market objective is to promote efficient investment in, and efficient use of, electricity services for the long term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity and the reliability, safety and security of the national electricity system", see [www.aemc.gov.au/electricity.php](http://www.aemc.gov.au/electricity.php).

establishment of interstate inter-connectors to facilitate the flow of electricity across borders and opening the generation market to private operators.

Individual state governments have taken different positions on the sale of their publicly owned distribution, retail and generation assets and on the pace of change. Victoria and South Australia privatised their energy assets while NSW and Queensland have retained significant public ownership. However, unlike NSW, Queensland has privatised a large part of its retail arm.

### **1.1.2. Network Issues**

The privatisation of the retail sector is the most recent electricity event impacting on Queensland consumers. In 2004 supply issues were at the forefront of public discussion. A review of the Queensland distribution network was undertaken in response to concerns expressed about the performance of the distribution networks during a series of storms and hot weather in 2004. The background to these issues was an ageing network badly in need of capital improvements coupled with significantly increasing demand for electricity in Queensland. One key outcome of the review was the allocation of significant capital expenditure to upgrade the network.<sup>10</sup> The implementation of the recommendations of the Electricity Distribution and Service Delivery Review are still underway.

The unique nature of the Queensland network, as one of the most geographically dispersed networks in Australia, means it is particularly vulnerable to demand-side issues.<sup>11</sup> For example; the rural and regional area serviced by the government owned Ergon Energy covers 1,698,100 square kilometres. Much of the rural and remote area serviced by Ergon is supplied via 65,000 kilometres of single wire (and the earth as return path) lines (or SWER lines as they are known) with limited load bearing capacity.<sup>12</sup> There is a significant distribution and network cost to delivering power along these extended networks.

In Queensland all small customers currently pay the same price for their electricity no matter where they live. This is through the mechanism of the uniform tariff. Where the cost of supply is greater than the uniform tariff the difference is met via cross subsidies between consumers and community service obligation payments by the government. If people in many remote and rural areas paid the actual cost of their power, the cost would be prohibitive.

## **1.2. Regulation**

Energy consumer protection in Queensland is part of the general consumer protection framework provided to all Queenslanders under the *Fair Trading Act 1989* (Queensland) and the *Trade Practices Act 1974* (Commonwealth). Generalist consumer protections do not provide regulation for standard contract terms and conditions, ensure access to supply and protection against disconnection or specifically regulate the marketing of essential services. Energy specific protections for consumers have therefore been introduced. In Queensland these energy specific provisions are provided in the *Electricity Act 1994* (Queensland). Of particular interest for

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<sup>10</sup> Department of Natural Resources, Mines and Energy (2004) *Detailed Report of the Independent Panel. Electricity Distribution and Service Delivery for the 21<sup>st</sup> Century*, Brisbane.

<sup>11</sup> Department of Natural Resources, Mines and Energy (2004).

<sup>12</sup> Department of Natural Resources Mines and Energy (2004), pp.4 & 25.

consumers is the revised Electricity Industry Code established as a consequence of the introduction of FRC under the *Electricity and other Legislation Act 2006* (Queensland). Key protections in the Code, which will come into effect in 2007, include provisions for guaranteed service levels, a retail marketing code of conduct, customer charters in relation to connection and retail services and the establishment of a retailer instalment plan where customers are experiencing financial hardship. The Government has also retained the uniform tariff in electricity and the right of reversion for customers on a market contract back to the uniform tariff (standard contract).

There is also a specific energy complaints mechanism. In Queensland the Energy Protection Consumer Office (ECPO) which handles customer energy complaints will be replaced by an Independent Energy Ombudsman in 2007 under the *Energy Ombudsman Act 2006* (Queensland).<sup>13</sup>

### **1.3. Demand Management**

In each State and Territory there is an increasing focus on demand side management. This focus is aimed at reducing the demands placed on the energy network in response to the limitations of the network, the need for improvements in energy efficiency and the growing awareness of the need to address environmental sustainability issues. Government strategies include micro-management of demand through policies, community education programs designed to encourage consumers to save energy and the broader instrument of tariff adjustment. In the last year the Queensland Government moved customers off a declining block structure to a flat rate electricity tariff in order to better manage peak demand and provide incentives, particularly for large consumers, to reduce energy usage.<sup>14</sup>

### **1.4. Advocacy Environment**

#### **1.4.1. Consumer Consultation and Advocacy**

One of the key issues for this research project is the nature of consumer consultation processes, the role of advocacy organisations in Queensland and the ways in which they have shaped consumer responses to debates and discussions on electricity supply and retail matters.

With the introduction of FRC in Queensland recent debates and discussions among stakeholders including consumer groups, retailers and distributors have focussed on achieving a balance between the competition agenda to increase efficiencies through market-place reform and attaining an appropriate level of consumer protection. The implementation of FRC and the earlier Electricity Distribution and Service Delivery Review have created opportunities for consumer

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<sup>13</sup> See *Energy Ombudsman Bill 2006*. As Simon Cleary and Fiona Guthrie pointed out in an article earlier this year: “The major drawback of the current Queensland scheme is its location in a Government department. This fatally compromises the organisation’s independence and accountability...”, Simon Cleary and Fiona Guthrie ‘Structure Matters: Solving Disputes between Consumers and Electricity Companies’ in J. Bathgate (ed) (2006) *Electricity Issues*, pp. 26-37.

<sup>14</sup> Queensland Government (2006) ‘Savings add up with new energywise calculator’, Media Release, 6<sup>th</sup> of January, 2006; Queensland Government (2005) ‘Energywise campaign can save Queenslanders money’, Media Release, 28<sup>th</sup> October, 2005; Queensland Government (2005), ‘Flat electricity tariff provides fairer pricing system’, Media Release, 4<sup>th</sup> of November, 2005; Total Environment Centre (2006). See also Department of Mines and Energy website [www.energy.qld.gov.au/sustainable\\_energy.cfm](http://www.energy.qld.gov.au/sustainable_energy.cfm).



groups to participate in formal processes either through the submission process or through face to face meetings.

Consumer groups made submissions to the Electricity Distribution and Service Delivery Review in 2004 on reliability of supply issues.<sup>15</sup> Queensland advocates have made a number of submissions in relation to the NEM and more recently the introduction of FRC in Queensland. The Energy Competition Committee (ECC) charged with implementing FRC in Queensland has held numerous stakeholder forums with retailers, distributors and consumer representatives in 2006 to gain their input. It is clear through the Centre for Credit and Consumer Law's participation in stakeholder meetings facilitated by the ECC that there is a tension between consumer protection and safety net issues and the imperatives of competition.<sup>16</sup>

### ***Volunteer Networks***

Consumer advocacy on Queensland electricity policy issues has, until recently, been undertaken primarily by volunteer members of the Brisbane Consumers' Association and the Queensland Consumers' Association. These associations comprise small groups of individuals with interests in a wide range of consumer policy issues.

The largely volunteer structure of Queensland energy advocacy contrasts with other jurisdictions, which provide State government funding for energy consumer advocacy.<sup>17</sup> While specific consumer advocacy continues to be undertaken in a voluntary capacity on energy matters in Queensland, there is increasing involvement in national electricity matters as a result of funding at the federal level. In 2005 the National Consumers Electricity Advocacy Panel provided funding for a position examining the integration of Queensland small end-users into the NEM.<sup>18</sup> Advocacy Panel funding at a national level has also enabled the establishment of a National Consumers Roundtable on Energy, a network which meets quarterly and has Queensland members.

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<sup>15</sup> Andrew Nance, 'The South Australian FRC experience: A three-year search for 'The Benefits of Competition' in Jane Bathgate (Ed) (2006) *Electricity Issues: Interstate perspectives on full retail competition for residential consumers*, Centre for Credit and Consumer Law, Griffith University, Nathan, pp.21-25; Department of Natural Resources Mines and Energy, (2004), pp.8-11.

<sup>16</sup> Centre for Credit and Consumer Law, Griffith University (2006) 'Submission to the Energy Competition Committee. Electricity Full Retail Competition: Proposed Electricity Industry Code'; Queensland Consumers Association (2006) 'Submission to the Energy Competition Committee on the Draft Retail Marketing Code of Conduct and the Electricity Customer Transfer and Consent Code; AGL (2006) (Submission to the Energy Competition Committee) 'Full Retail Competition: Consultation Paper No 5 – revised draft of Standard Customer Sale Contract, Standard Customer Connection Contract and Electricity Industry Code as published 2-6 June 2006'.

<sup>17</sup> Queensland Consumers' Association (2006) 'Consumer input to the implementation of FRC'. A Submission to the Energy Competition Committee, Department of Energy, Queensland. The interstate organisations funded by State Government include the Consumer Utilities Advocacy Centre (Victoria), the Consumer Law Centre Victoria (replaced recently by the Consumer Law Action Centre) and the Public Interest Advocacy Centre (NSW).

<sup>18</sup> In 2005, the Centre for Credit and Consumer Law received funding from Advocacy Panel to fund a researcher/advocate position examining Queensland small end-user responses and participation in the National Electricity Market (NEM) up until June 2007. The basis of the Advocacy Panel funding means that the person employed has limited capacity to look at state-based electricity issues on behalf of consumers unless the issue is linked into national competition policy objectives including participation in the NEM.

At a regional and rural level, a recent broad based consultation process undertaken by the Queensland Government revealed that electricity is one of a number of issues identified for rural and regional Queenslanders.<sup>19</sup>

### 1.4.2 Regional Electricity Councils

In addition to the volunteer consumer advocates, who lobby on a broad range of energy and non-energy issues, there are also government forums for engaging consumers on supply issues.<sup>20</sup>

The main consumer forum for addressing electricity issues has been the Regional Electricity Councils (RECs). RECs were established under the provisions of the *Electricity Act 1994*. There are seven RECs in Queensland covering the State. Historically, these RECs have antecedents in the earlier Queensland Electricity Boards.<sup>21</sup>

The members of the RECs are appointed by the Minister for Mines and Energy. Each REC comprises six to eight members including a representative from the distributor and members with ...experience, knowledge of local needs, and commitment to serving the community.<sup>22</sup> The pool usually includes electrical engineers, local government representatives and others. The RECs direct link with government, including the Minister and the distributor, provides them with a pathway to solve issues that would not be available to consumers through other channels.<sup>23</sup> In this respect RECs potentially perform an important role in acting as a bridge between customers and management although it is not clear how widely the existence of RECs is known to consumers.<sup>24</sup>

RECs deal with both residential users and with business users and the interests of these two constituents may or may not be coincident.<sup>25</sup> It is not clear what proportion of issues raised with RECs are from businesses, as opposed to residential users. No public review or evaluation of the work of the RECs has been undertaken to date.

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<sup>19</sup> Queensland Government, Local Government Association of Queensland, Agforce Queensland (2006) 'Blueprint for the Bush Building a sustainable, liveable and prosperous rural Queensland'.

<sup>20</sup> The remit of the RECs described on the Department of Energy website reads "...reliability of supply, environment and vegetation management." Department of Mines and Energy – Regional Electricity Councils, [http://www.energy.qld.gov.au/regional\\_electricity\\_councils.cfm](http://www.energy.qld.gov.au/regional_electricity_councils.cfm).

<sup>21</sup> The RECs cover the following regions: South East Queensland, South West Queensland, Wide Bay-Burnett, Capricornia, Mackay, North Queensland and Far north Queensland; Interview1, REC, 17/10/2005. The establishment of the RECs also appears to have been born from the dissolution of the Electricity Boards. "...the original ones were the board – there were seven boards. And the boards were dismantled, new structures were put in and from the new structures came the consulting committees. So the early part was certainly the board and now it's a council", Interview 6, REC, 7/11/2005. See Interview 9 for discussion of NQEB and Interview 7 for SEQUEB.

<sup>22</sup> The remit of the RECs is described specifically "...reliability of supply, environment and vegetation management", Department of Mines and Energy – Regional Electricity Councils, [www.energy.qld.gov.au/regional\\_electricity\\_councils.cfm](http://www.energy.qld.gov.au/regional_electricity_councils.cfm).

<sup>23</sup> The RECs hold four meetings per year and report back to the Minister on the outcomes and have one face to face meeting with the Minister annually. The RECs also provided direct feedback to the distributors. The secretariat for the RECs is also the distributor – either Energex or Ergon.

<sup>24</sup> Interview 6 REC, January 2006 and Interview 9 REC, November 2005. See also comments on this matter in Chapter 5: Focus Groups.

<sup>25</sup> For instance two RECs referred to cases of dealing with large customers and businesses. One of these RECs suggested that the larger customers needed to have the most input into discussions about particular supply issues as: "...he's the one that's affected most of all, they're the ones that need to have the biggest input", Interview 21, REC, 06/01/2006.

While RECs have largely focussed on supply issues, a couple of RECs have taken an interest in retail matters and the potential impacts of FRC on their constituency. This has been in response to the implementation of FRC and the concurrent sale of the retail arm of Energex and part of Ergon.<sup>26</sup>

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<sup>26</sup> There is nothing in the Electricity Act that prevents RECs from looking at retail issues. However, traditionally they have not dealt with this area. See *Electricity Act 1994* (Queensland), Section 303. Continuation of existing regional electricity councils (a) established by the Minister to provide information about regional electricity issues and requirements to the State and electricity retailers.

# Chapter 2: FRC Research in Other Jurisdictions

## 2.1. Research on Electricity Matters in Australia and the United Kingdom

### 2.1.1. FRC Research and Consumers

Deregulation of the energy market in Australia and overseas has generated a significant body of research. Regulators, complaints bodies and funded consumer advocacy bodies have played a major research role documenting and evaluating these reforms in respect of small end-users. The focus of much of this research has been the evaluation of the impact of FRC on consumers.<sup>27</sup>

Research in Australia and the United Kingdom (UK) on the consumer impact of FRC has focussed particularly on behavioural economics, the switching behaviour of consumers and whether or not deregulation has delivered the promised benefits to consumers based on a range of indicators including service, price and market performance. The findings indicate that the benefits for small end-users based on these attributes are not as clear as they are for industrial and commercial customers.<sup>28</sup>

A number of authors have identified customer inertia as a feature of the energy market.<sup>29</sup> Catherine Waddam's UK research team identified that consumers have a problem with choice and appear to make switching mistakes caused by 'decision complexity.' Her team's comprehensive longitudinal study showed that seven years into deregulation in the UK the jury was still out on whether the market had delivered net benefits for consumers. Moreover the incumbent retained disproportionate market power suggesting the continued need for regulation.<sup>30</sup> A study by Kevin Jewell in the UK showed that large drops in wholesale market prices were not fully passed on to

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<sup>27</sup> Dr Helen Jenkins (2005) 'Agenda advancing economics in business', Oxera Agenda, December 2005, London.

<sup>28</sup> Diana Bowman,, David Coghill and Graeme Hodge (2004) *Protecting Utility Consumers from market failure*, Centre for the Study of Privatisation and Public Accountability, Monash University; Essential Services Commission (2004) *Background Report – A Review of the Effectiveness of Retail Competition and the Consumer Safety Net for Electricity and Gas*, Melbourne.

<sup>29</sup> Andrea Sharam (2003) 'Power Failure: Why Victorian Households Are Not Plugging into Electricity Competition', Institute for Social Research. Working Papers, No.8, June 2003; Bowman at al (2004). Timothy Brennan, J.(2005) *Discussion Paper – Consumer Preference Not to Choose. Methodological and Policy Implications*, Resources for the Future, Washington; Alena Kozakova (2005) *Switched on to Switching? A survey of consumer behaviour and attitudes, 2000-2005*, National Consumer Council, London. See also the more general overview undertaken by Michael Waterson of the reluctance of customers to switch in so-called competitive industries. Michael Waterson (2003) 'The role of consumers in competition and competition policy', *International Journal of Industrial Organization*, vol 21, pp:129-250.

<sup>30</sup> M. Giuetti, C. Waddams. C. Price, and M. Waterson (2005) 'Consumer Choice and Competition Policy: A study of UK Energy Markets', *The Economic Journal* 115, pp.949-968. See also Catherine Waddams (2006) 'Reality Bites – The Problem of Choice' in *Roundtable on Demand-Side Economics for Consumer Policy: Summary Report*, Directorate for Science, Technology and Industry Committee on Consumer Policy, Organisation for Economic Co-operation and Development, p.26 [www.ccp.uea.ac.uk/public\\_files/workingpapers/CCP05-4.pdf](http://www.ccp.uea.ac.uk/public_files/workingpapers/CCP05-4.pdf)

residential consumers and that companies relied on customer inertia to keep their existing customer base.<sup>31</sup> A study by economist Lynne Chester reveals that competition has not brought prices down for residential consumers in Australia. She points out that there is evidence of price manipulation occurring via large generation companies.<sup>32</sup>

One of the ongoing debates put forward in discussions about the merits of FRC for consumers is the need to achieve a balance between competition and an appropriate level of consumer protection in the face of uncertainty about what the market can achieve. For instance Bowman et al have advocated the continuation of ‘...strong safety net frameworks to protect vulnerable consumers, while serving the needs of all small consumers’ because of the lack of a mature energy market in Victoria and elsewhere in Australia.<sup>33</sup>

### 2.1.2. Essentiality Debates

The issue of the safety net that Bowman et al raise signals another feature of discussions about consumers and electricity - the provision of electricity as an essential service and the debate about the appropriate role of government and the market in ensuring the service is affordable. This issue has crystallised around discussions on financial hardship and the related issue of disconnections due to incapacity to pay.<sup>34</sup>

A recent research report funded by Victoria’s Consumer Utilities Advocacy Centre argued that there is a government responsibility to ‘...ensure universal, affordable access to electricity...In a privatised market, this means that governments may need to use their regulatory powers to protect the public interest.’<sup>35</sup>

This public policy debate has been highlighted recently in Victoria. In 2005 a Committee of Inquiry into the Financial Hardship of Energy Consumers resulted in a number of policy and

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<sup>31</sup> K. Jewell (2003) *Manipulated, Misled, Ignored, Abused Residential consumer Experience with Electric Deregulation in the United Kingdom*, Consumers Union Program for Economic Justice and Public Services International Research Unit, University of Greenwich; See also B. Brigham and M. Waterson, (2003) ‘Strategic change in the market for domestic electricity in the UK’, University of Warwick.

<sup>32</sup> Lynne Chester (2006) ‘The Conundrums facing Australia’s National Electricity market’, *Economic Papers*, vol 25, no.4, pp.362-377.

<sup>33</sup> Bowman et al (2005).

<sup>34</sup> A study by Langmore and Dufty in 2004 found limited electricity price responsiveness of householders leading them to argue for the need for a regulated universal safety net in the form of standard offers with minimum terms and conditions associated with safety net prices; M. Langmore and G. Dufty (2004), ‘Domestic electricity demand elasticities, Issues for the Victorian Energy Market’, St Vincent de Paul; Jim Wellsmore (2006) ‘Everyone’s a Winner?: Price protection in retail energy competition in Electricity Issues: Interstate perspectives on full retail competition for residential consumers’ in Bathgate (ed.) (2006), p.10; Nicole Rich and May Mauseth (2004) *Access to Energy and Water in Victoria – A research report*, Consumer Law Centre Victoria and Consumer Utilities Advocacy Centre, Melbourne, p 10; Consumer Law Centre Victoria and the Centre for the Study of Privatisation & Public Accountability (2006), ‘Electricity Reform in Victoria: Outcomes for Consumers’ Consumer Law Centre Victoria and the Centre for the Study of Privatisation & Public Accountability, Melbourne, p 18; see also Committee for Melbourne (2004), *Utility Debt Spiral Project*, Melbourne, p.3.

<sup>35</sup> Institute for Sustainable Futures for Consumer Utilities Advocacy Centre (2006), ‘Interval Meter Technology Trials and Pricing Experiments Issues for Small Consumers’, University of Technology Sydney, iii.

legislative changes in response to the Inquiry's findings. The Victorian government has recently mandated retailer hardship programs for customers as part of its commitment.<sup>36</sup>

There have been numerous studies on the subject of energy hardship among Australian residential users and the need for government intervention.<sup>37</sup> These studies, particularly those focussing on low income consumers, reveal little room for movement with people struggling to meet utility payments, rationing energy and going without other essential items in order to make payments on housing and utility bills. As these studies show, household expenditure is dictated by necessity with housing, utilities and food comprising basic non-discretionary purchases. The implications and seriousness of disconnection are highlighted in a number of these studies and supported by statistics.<sup>38</sup> For instance, in Queensland 2004-2005 25,173 people were disconnected for failure to pay their electricity bill.<sup>39</sup>

Queensland has traditionally relied on the tariff structure, the provision of Community Service Obligations (CSOs) and a limited concessions framework to provide a safety net for Queensland consumers with respect to electricity. With the introduction of FRC, the Government has preserved the uniform tariff through the offering of a standard contract for all residential consumers and small business and limited hardship provisions in the Electricity Industry Code<sup>40</sup>. It is a matter of ongoing debate whether this will be sufficient in the long run to deal with utilities hardship issues in Queensland, in the absence of a comprehensive hardship policy by Government.

### 2.1.3. Comparative Research

Qualitative research undertaken on consumer attitudes and behaviours in Australia in respect of electricity supply and retail issues have been generated from diverse sources and with different aims. They range from advocacy funded projects through to regulatory evaluations of key issues. Substantive primary data has also been supplied by the ombudsman in each state and has played a key role in identifying systemic issues on behalf of consumers.<sup>41</sup> In Queensland, which has no well

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<sup>36</sup> Committee of Inquiry into the Financial Hardship of Energy Consumers. (2005) 'Main Report' (John Nieuwenhuysen, Chair), Department of Energy Industries and Resources, Melbourne. See also 'Government response to the Inquiry', Department of Infrastructure, Victoria,

[www.doi.vic.gov.au/Doi/Internet/Energy.nsf/AllDocs/1FA827594850A3A5CA256FFC00821F50?OpenDocument#resp](http://www.doi.vic.gov.au/Doi/Internet/Energy.nsf/AllDocs/1FA827594850A3A5CA256FFC00821F50?OpenDocument#resp).

<sup>37</sup> Committee of Inquiry into the Financial Hardship of Energy Consumers. (2005) *Committee of Inquiry into the financial hardship of energy consumers, Main Report*, vii.

<sup>38</sup> Ross, S, Wallace, A & D. Rintoul (2005) 'Cut off: the impact of utility disconnections'. Report prepared by Urbis Keys Young for the Utility Consumers' Advocacy Project, PIAC; B. Duggan (2004) *Bleak House: The implications of the contest between private utilities and landlords for the non-discretionary income of vulnerable households*, Institute for social Research, Swinburne University of Technology; Rich and Mauseth (2004), 'Access to energy and Water in Victoria'; Western Regional Energy Action Group (2004) 'Powering Poverty: A report on the impact of the 2002-2003 electricity price rises on 12 low-income households in South Australia'; Essential Services Commission (2004) 'Disconnections and Capacity to Pay: Report on Energy Retailers' Performance'; Committee for Melbourne (2004) Utility Debt Spiral Project.

<sup>39</sup> National Comparative Performance Data (2006) 'Electricity Retailing Quality of Service Reporting Template', Queensland Department of Mines and Energy, p.2.

<sup>40</sup> For discussion of the Code see the heading 'Regulation' in the previous Chapter.

<sup>41</sup> See for instance EWON (2006), Covering Letter, Independent Pricing and Regulatory Tribunal, Review of Regulated Retail Tariffs and Charges for Electricity 2007-2010 which states that consumer protection must remain the

established advocacy or regulatory funded research base, inter-state research provides the best sources of information with which to compare the current research project.

The studies on energy hardship mentioned earlier have been undertaken under the auspices of utilities advocacy and consumer law centres in Victoria and NSW. Regulator and government established inquiries, such as the Victorian hardship inquiry, have also provided insight. These studies highlight the ongoing issue of energy hardship for vulnerable classes of customers including low income earners.

### ***Pre-FRC Market Research Studies***

Research conducted under the auspices of the interstate regulators just prior to the introduction of FRC throws some light on consumer attitudes to the introduction of FRC, thus providing a context for the interviews undertaken in this study.<sup>42</sup>

Prior to FRC being introduced in Victoria the energy regulator undertook a quantitative and qualitative market research survey of customer attitudes in preparation for its advertising campaign promoting the introduction of FRC. The qualitative survey involved 24 interviews and 5 focus groups with low income, middle income and language-other-than English respondents. It found the following:

- A degree of cynicism in particular groups (regional and low income) about the introduction of FRC partly due to a perception of a lack of opportunities and influence in decision making.
- Fear that changes would result in higher prices based on participant perceptions of changes within the electricity industry and the implications for their particular geographical area.
- Differences in levels of knowledge about FRC.<sup>43</sup>

The quantitative study found:

- Concerns in relation to deregulation of the electricity market were expressed by almost three-quarters of respondents (71%).
- Price was one of the central concerns that the Victorian mass market had in relation to the changing nature of the way electricity is bought (25%). Of equal concern was future reliability of electricity supply.

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prime objective and the key criterion when the Tribunal considers the future of the NSW pricing and regulatory framework.' Issues Paper, NSW. See also Energy and Water Ombudsman (Victoria) (2006) *2006 Annual Report*, Energy and Water Ombudsman (Victoria), Melbourne.

<sup>42</sup> Millward Brown (2001) 'Electricity Contestability Quantitative Research – Mass Market Customers' for the Office of the Regulator-General, Victoria, Melbourne; Millward Brown (2002) 'Mass Market Electricity Competition Tracking Research, Final Report, September 3, 2001-February 17, 2002' for the Office of the Regulator-General, Victoria, Melbourne.

Colmar Brunton (no date) 'Project Electricity, Phase Two results' for the Office of the Regulator-General, Victoria, Melbourne.

<sup>43</sup> Colmar Brunton 'Project Electricity Phase Two Results Prepared For: The Office of the Regulator-General Victoria, Melbourne.

- Overall consumers were indifferent to the concept of changing retailers and less than half of respondents actually expressed an interest in switching electricity retailers (40%).<sup>44</sup>

The outcomes of this research project are consistent with these findings.

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<sup>44</sup> Millward Brown for the Office of the Regulator-General, Victoria (2001), Electricity Contestability Quantitative Research – Mass Market Customers, Melbourne. 252 metropolitan and 100 regional customers were interviewed.



# Chapter 3: Methodology

## 3.1. Methodology

The project was designed to identify the views of Queensland small end-users (residential users and small business including farmers) and advocates for small end-users about electricity on domestic, state and national issues in relation to the principles and obligations associated with the National Electricity Market ('NEM'). Key research objectives included identifying:

- The key issues for small end-users in electricity reform including identifying how these issues should be prioritised?
- Ascertaining the current levels of involvement of small end-users in NEM developments and the barriers to participation in NEM developments.

Participants were asked to respond to a series of questions concerning their knowledge and views of the electricity industry, its regulation, the proposed introduction of full retail competition and other ancillary issues.

## 3.2. Qualitative Approach

A qualitative research method was used because it was best able to capture in-depth consumer perspectives while allowing for the different contexts in which these perspectives occurred. Qualitative research has three key attributes which enable this kind of information gathering.

- It is '...concerned with how the social world is interpreted, understood, experienced, produced or constituted.'
- The methods of data generation are '...flexible and sensitive to the social context in which data are produced.'
- It '...aims to produce rounded and contextual understandings on the basis of rich, nuanced and detailed data.'<sup>45</sup>

The method used to gather data consisted of focus groups with residential users and individual interviews with advocates. Semi-structured interview questions were used (see Appendices 1 and 2). The questions asked of each group (advocates and residential users) varied slightly.<sup>46</sup>

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<sup>45</sup> Jennifer Mason (2002) *Qualitative Researching*, 2<sup>nd</sup> edition, Sage Publications, London, p.3.

<sup>46</sup> The focus groups had an additional two questions on demand management and renewable energy as a result of requests made by the advisory committee for this project. The questionnaires were finalised prior to the establishment of the advisory committee and the interviews with advocates had commenced – hence these additional questions were not added to the questionnaire for the advocates.

Sixty people participated in this qualitative research project between November 2005 and May 2006. There were thirty individual interviews undertaken with advocates and thirty-one residential users across four focus groups.<sup>47</sup> The interviews with advocates were conducted first. This enabled the collection of a robust amount of information to inform the structure and focus of the subsequent residential user focus groups. The advantage of the individual interviews, in addition to the opportunity they provided for more in-depth interviews, was that the advocates' viewpoints tended to represent information derived from a large number of consumers.

The four focus groups were important for providing a snap shot of residential users' viewpoints on electricity matters although the number was far too small to be a representative sample. Focus groups were also a more efficient way of gathering material from a range of participants than individual interviews. In addition the dynamics of focus groups produced discussion outcomes that were not possible with individual interviews.<sup>48</sup> For instance, the focus groups provided an opportunity for the researchers to gain an insight into the participants' varied concerns, values and priorities in relation to electricity supply; their involvement in reform issues; and reasons for involvement or lack of involvement.

### **3.2.1. Informed Consent**

Participation was voluntary and all interview and focus group participants gave their informed consent to participate in this study based on an informed consent procedure approved by the Griffith University Research Ethics Committee. Potential participants were contacted initially by telephone with a follow-up e-mail or letter which included a written and detailed information sheet explaining the project and attached consent form (see Appendix 3). The majority of interviews and all of the focus groups were taped and transcribed.

Confidentiality was maintained in a number of ways. Interviewees were guaranteed that their names, the names of their organisations (in the case of advocates) and any details that might identify them would not be revealed. As a result, when reporting interview or focus group responses in this report only the generic name is given for the respondent eg residential user or financial counsellor and the month in which the interview took place.

### **3.2.2. Recruitment – Advocates**

Advocate groups were selected on the basis that they represented a particular group of small end-users and had something to contribute on the subject of electricity needs of residential users or small business (including small farmers). They also represented consumers from a cross-section of metropolitan, regional and rural locations. In other words advocates were defined as those people (volunteers or paid) who dealt wholly or partly with electricity issues on behalf of their members or clients.<sup>49</sup> Most of the advocates represented residential users with six representatives speaking on behalf of small business and/or farmers.

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<sup>47</sup> One person who participated in the focus group had previously been interviewed as an advocate. This strategy was necessary because of insufficient numbers in one focus group.

<sup>48</sup> Norman K. Denzin and Yvonna S. Lincoln (Eds) (2005) *The Sage Handbook of Qualitative Research. Third edition*, pp.903-904.

<sup>49</sup> Overall 61 were interviewed. A consumer advocate also participated in a focus group due to difficulty with obtaining numbers at that time. These questions were also directed to small business but due to a lack of interest and

While attempts were made to be consistent with getting a broad cross-section of advocates, selection was also exploratory in order to capture information.<sup>50</sup> Those that declined to participate mostly declined on the basis that they had not received significant feedback on electricity issues from their constituents.<sup>51</sup>

The following groups of advocates were interviewed:

- Consumer advocates
- Environmental advocate
- Financial counsellors
- Community service organisations
- Farm financial counsellors
- Regional Electricity Councils
- Business peak bodies
- Farming peak bodies

Forty-six prospective advocates were contacted and thirty participated. The nine financial counsellors interviewed included three farm financial counsellors – two from South-West Queensland and one from north Queensland. Two of the participants were Indigenous and also offered comments on issues relating to Indigenous needs. There were slightly more men interviewed than women (seventeen men and thirteen women). All three farm financial counsellors were men and most of the general financial counsellors were women. All small business/farm organisation representatives were male. Two participants chose to provide written responses to the questions with one agreeing to subsequently be interviewed.<sup>52</sup> Two people who could not participate in the focus groups tabled their concerns with the researcher verbally and by e-mail.<sup>53</sup> Interviews were conducted face to face and over the telephone. Interviews lasted approximately half an hour.

A list of participants by region and primary occupation is provided in Table 1.

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other factors (see methodology) small businesses did not participate in the focus groups. However, they did participate through their member organisations in interviews with advocates.

<sup>50</sup> Advocates might be affiliated with a number of bodies particularly in rural and regional areas. For instance a local government member and a consumer advocate were interviewed who had experience with government advisory councils and who were members of peak bodies (only their primary representation has been listed for the purposes of the research). An Indigenous person with an interest in electricity issues who worked in the health field and who had previously been involved extensively in Indigenous affairs was interviewed because of their interest in electricity.

<sup>51</sup> For instance two farm financial counsellors and an Indigenous consumer organisation had been approached but declined to participate due to a lack of information/knowledge of the area. Some peak bodies also referred the researcher to other organisations.

<sup>52</sup> It was deemed too onerous to conduct an interview with the other organisation who had provided a written response because of their limited capacity at the time to respond otherwise.

<sup>53</sup> The low-income focus group had more participants than spaces to fill. Other low income participants could not participate in the focus group due to timing. See section 5.2.7 for discussion of the views of one of these participants who gave permission for their e-mail to be cited.

**Table 1: Advocates by Region\* and Primary Occupation/Affiliation**

Occupation/Affiliation	South-East Qld	South-West Qld	Central Qld	North Qld	Far North Qld	Qld wide	TOTAL
Financial Counsellor	3	3	1	1	1		9
Peak community welfare body						4	4
Regional Electricity Council	1	1		1	1		4
Consumer organisation (volunteer)	3						3
Small business/farming association	1					5	6
Government service organisation	1	1				1	3
Local government					1		1
<b>TOTAL</b>	9	5	1	2	3	10	30

\*Regions are those defined by Regional Electricity Council boundaries.

### 3.2.3. Recruitment – Focus Groups

Focus group participants were self-selected through the following methods:

- Responses to requests from intermediary community organisations.
- Responses to advertisements displayed on community organisation noticeboards, in community organisation publications or another public place such as a library.
- Responses to an advertisement in a local community newspaper.

A challenge with the focus groups was getting enough people to participate. All focus groups had to be re-scheduled due to insufficient participants in the first instance. The initial plan was to use community networks as a way of gathering prospective participants. Individuals in community organisations were approached to publicise the project after receiving a telephone call and a follow-up information sheet (see Appendix 3). Each focus group participant was offered a small payment (\$30) as reimbursement for costs associated with their participation (eg parking, child care costs, etc). However, this strategy did not generate enough participants.

A revised media strategy was subsequently employed that broadly publicised the focus groups through targeted suburban and community newspapers. This strategy was successful in three cases. The fourth focus group relied on a community intermediary for assistance. A fifth group had to be cancelled. The latter focus group for small businesses/farmers in central Queensland could not be held due to a lack of interest. Feedback from a small business participant from this region

indicated that there were other pressing priorities for these groups combined with the fact that FRC had not yet been introduced and therefore had not impacted, directly or indirectly, on this group.

Four focus groups comprising four different groups of participants were held in May 2006 in three locations. Each focus group comprised between six and ten participants and ran for one and a half hours. Each focus group represented a different group of end-users (for example: low income consumers; retirees; middle income families; rural/regional consumers etc) to ensure that within each focus group there was a similar range of experiences. Two focus groups were held outside the Brisbane metropolitan area and two in Brisbane. One focus group comprised retirees only (55 years and above). The remaining focus groups had a broad age range, approximately 20-65 years of age.

Only the approximate income and age could be determined.<sup>54</sup> This was due mainly to privacy issues. Australian Bureau of Statistics income categories were initially used to determine whether potential participants were from the low or middle income category. However, this strategy was discarded because most participants were reluctant to reveal details of their income. Hence, the category was self-identified with middle income participants in full-time paid employment and low income participants in part-time employment or unemployed. Middle income earners may have also included middle-upper income earners. Retirees were mostly self-funded retirees. Only one retiree self-identified as a low income person. With the exception of retirees who vouched for their age (fifty-five and over), all other age ranges were approximate as this information was not gathered as part of the research.

There was an even gender balance with sixteen women and fifteen men participating. Table 2 outlines these locations and participant demographic categories:

**Table 2: Focus Group Participants by Location, Gender and Broad Income Category**

Location	Gender	Approximate Income	Approximate age range
Metropolitan (South-East)	Female: 5 Male: 2	Middle	20-65 years
Metropolitan (South-East)	Female: 3 Male: 6	Low	20-65 years
Regional (South-West)	Female: 4 Male: 2	Middle and low	20-65 years
Regional (North)	Female: 4 Male: 5	Middle and Low	*55 years+
<b>TOTAL</b>	Female: 16 Male: 15 Final total: 31		

<sup>54</sup> This data was limited by the reluctance of most people to state their specific income.

\* The retiree age group was not approximate. It was selected on the basis that they were 55 years and above.

### 3.2.4. Methodological Research Challenges

There were a number of research challenges specific to electricity and this particular project that partly explain why discussions about electricity were difficult for people to engage with at times. These issues include:

- A low level of knowledge among many participants about electricity issues
- Difficulty with answering some questions
- The timing of the project (pre-FRC).

#### *Lack of knowledge*

Participants were not necessarily well informed about electricity issues as a whole. For instance most residential users were knowledgeable about how much they paid for electricity but not the source of the electricity. Moreover, most participants, residential users and advocates, knew very little if anything about the impending introduction of FRC. For instance a number of focus group participants spoke of the difficulties in engaging with electricity as an issue. As one participant acknowledged: "...most people aren't involved, they just want to pay their bills and so there's no engagement."<sup>55</sup> Another pointed out that "... in all reality most people, myself excluded and people here excluded, people are fairly complacent and apathetic."<sup>56</sup>

#### *Difficulty with answering some questions*

A related issue was the difficulty some participants had answering questions either because the terminology was not well understood (regulatory versus non-regulatory reform), because they had insufficient knowledge of the area or because the answer to the question was not straightforward. An example of the latter was the question requiring residential users and advocates to rate the importance of electricity in comparison with other essential services.<sup>57</sup> Those that did not rate electricity highly did so because there were no pressing issues – it was reliable and the price was capped. In other words this question was not necessarily answered in terms of the essentiality of electricity. This point is discussed further in Chapter Four in the section 'Electricity as an on/off issue for consumers'.

In addition some background information was required to be presented to focus group participants in order for them to fully answer some questions. Hence some preliminary explanations were given at the outset of each focus groups on what FRC entailed, the distinctions between retail and supply and the current percentage of renewable energy in the national electricity grid.

#### *Timing*

It may have been too early in the FRC implementation process for people to respond to questions on FRC as it was not scheduled for implementation until first of July 2007. At the time of interview there had been no community education campaign and many participants were simply

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<sup>55</sup> Focus Group 1, Middle income, May 2006.

<sup>56</sup> Focus Group 3, Rural and Regional, May 2006.

<sup>57</sup> See Appendix 2 – Question 6.

unaware of the impending introduction of FRC and what it entailed. Focus group participants and some advocate groups found it difficult to define what the issues were in relation to FRC when they had little knowledge of what it implied and had not yet experienced the impact of the changes. As one advocate pointed out changes were “... down the track” and “it doesn’t affect us at this point in time”.<sup>58</sup> One community group said they did not know enough about the issue to respond to what protections should be in place.

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<sup>58</sup> Interview 22, Financial Counsellor (FC), January 2006.

# Chapter 4: Overall Findings

## 4.1. Overall Findings

This chapter discusses the common themes emerging from residential user focus groups and interviews with advocates. There were however significant differences between and within these groups. The differences were dependent on the category of interviewee – residential users versus advocates and the category of advocates. For instance residential users were overall much less informed about electricity issues than advocates. This finding is not surprising given advocates are often required to be on top of a number of issues. However it was also apparent that some advocates were far more interested in electricity issues than other advocates. For instance small business advocates indicated a low interest among membership about electricity matters compared with other issues. Consumer advocates were the most knowledgeable group on retail electricity matters. These specific findings are outlined in more detail in Chapter 5 and Chapter 6. Notwithstanding these differences, common themes can be discerned across all groups. All groups:

- Rated electricity highly
- Identified electricity as an on/off issue for consumers
- Made analogies between FRC and the opening up of the telecommunications market
- Lacked knowledge about the energy complaints body
- Had environmental energy concerns
- Expressed a mixture of community cynicism about the introduction of FRC and yet identified community empowerment through participation in these debates

### 4.1.1. Rating Electricity Highly

Most residential users and advocates rated electricity highly in comparison with other essential services including gas, water, telecommunications, housing and transport.

Consumer advocates indicated that electricity was near the top of the essential services list along with housing. The environmental advocate rated electricity equal first with housing and water. Community organisations placed electricity second on the list after water. Community organisations and financial counsellors also pointed out that electricity came equal first insofar as it was an integral part of a basket of essential services including housing. One financial counsellor used the example of budgeting to illustrate this point. “When we are doing our budget here, the first expense is rent, the next one food and then the next one is electricity. So that’s how high we rate it there when we’re doing our clients budgets.”<sup>59</sup>

All REC chairs rated electricity highly with one REC stating it was the highest and another stating that electricity was equal first with other essential services. With one exception, most interviewees

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<sup>59</sup> Interview 10, FC, November 2005.



in the rural sector rated electricity highly although not as high as consumer advocates or generalist financial counsellors.

#### **4.1.2. Electricity as an On/Off Issue for Consumers**

As a number of advocates pointed out – electricity was taken for granted because of its reliability and affordability yet it was also identified as an essential service and rated quite highly in comparison with other essential services. One financial counsellor said that electricity was not important until the bill came in or the power was out at which point it became a higher priority.

As one REC Chair summed up:

I think electricity is taken for granted. It's there, it's like water. It's more reliable than water and it's got a better quality than water. It's just it's there and people expect it to be there. When it's not there, that's when you get the problems...<sup>60</sup>

One residential user pointed out that there was only so much they needed to know about electricity: "The only thing I'm interested in is, is it on, is the electricity on and how much is it costing me. That's all I'm interested in. I don't care about generators or transmission or power lines."<sup>61</sup> In contrast one advocate pointed out that while very few people were likely to be interested in the detail of electricity delivery and consumer protection "...the size of the bills impacts enormously on people."<sup>62</sup>

The consensus in the middle income focus group was that residential consumption of electricity would only become a 'hot' issue for residential users if there was a supply problem or a significant price increase. As one participant pointed out people would become 'proactive' if something happened but complacent if not.

When participants were rating the importance of electricity compared with other essential services, a number focussed less on how important electricity was as an essential service and more on whether it was a priority at the present time. For instance one small business advocate pointedly stated that electricity was down the bottom of the list:

I would say down the bottom in the sense that it hasn't changed for years. The price hasn't dramatically altered, the service hasn't altered. So it's just one of those things that, like now, are going on in the background.<sup>63</sup>

In contrast to most financial counsellors, one financial counsellor rated electricity low on the list of essential services:

They are something that has to be paid, you can't live without electricity, so it's something that people just know they have to otherwise the power will be cut off and then you've got to pay a reconnection fee.<sup>64</sup>

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<sup>60</sup> Interview 9, REC, November 2006.

<sup>61</sup> Focus Group 2, Low income, May 2006.

<sup>62</sup> Interview 20, Consumer advocate, January 2006.

<sup>63</sup> Interview 11, November 2005.

<sup>64</sup> Interview 22, FC, January 2006.

One farm financial counsellor placed his rating of electricity in a sliding context depending on where one was located:

The more isolated you are, the more important become things like electricity, transport and communications in general and what industry one was in. If you're looking at things like the horticultural industry, they're going to say electricity is at least as important...because they just totally rely on it for their livelihood.<sup>65</sup>

However, need was also relative as this counsellor pointed out - isolated areas often had back up power supplies while coastal areas did not and therefore were more vulnerable to outages.<sup>66</sup>

### 4.1.3. Telecommunications Market Analogy

Individuals in each focus group and many advocates likened the opening of the electricity market to the opening up of the telecommunications market some years before. Although there are clear differences between the two markets including the level of regulation the comparison highlights concerns that residential electricity users and advocates have about being exposed to more risk and uncertainty. For instance concerns were raised about the increased likelihood of unconscionable marketing conduct and the collapse of new market entrants after a short time.

One residential user envisaged the following scenario:

You'll probably have a lot of bit players start up and then there'll be the quickies, make their money and go out of business. And a bit like One.Tel they'll have a lot of people that have signed contracts or whatever, and still be charged after the company's gone into bankruptcy because you've signed a contract to pay X amount of dollars.<sup>67</sup>

As another residential asked: "What happens if a little place buys a big proportion of the thing and then it just goes belly-up? What happens to all the people that are connected to their electricity?"<sup>68</sup>

One financial counsellor envisaged that like telephone bills people would be prone to accrue different debts with different energy retail companies and that ultimately the benefits of choice were nebulous

...they all start off the same way the same as electricity is going to, they're all going to start off trying to be cheaper than another or offer different services...but I just find they all go the same way anyhow after a while.<sup>69</sup>

Another financial counsellor identified a potential issue with marketing, and failed retailers as had happened in the telecommunications market. She advocated the need for consumer protection legislation to avoid this situation:

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<sup>65</sup> Interview 8, Farm Financial Counsellor, November 2005.

<sup>66</sup> Interview 8, Farm Financial Counsellor, November 2005.

<sup>67</sup> Focus Group 1, Middle Income, May 2006.

<sup>68</sup> Focus Group 2, Low Income, May 2006.

<sup>69</sup> Interview 19, FC, December 2005.

We're going to have the same problem with that. Look at the [telecommunication] companies that have gone under...I mean having your phone cut off is one thing, but you have your electricity cut off because you're with some company that's gone under and you've just fallen through the cracks.<sup>70</sup>

#### **4.1.4. Lack of Knowledge About Energy Complaints Body**

Focus group participants were asked if they were aware of the external complaints body in Queensland. Out of 31 participants only two people were aware of the existence of the energy complaints body for consumers - ECPO.

Perhaps not surprisingly more advocates than residential users had heard of ECPO. One financial counsellor noted that in the last year ECPO had made a concerted attempt to contact their association. He welcomed the approach but found it disturbing that members of the government team who visited "...had no idea what the financial counsellors did."<sup>71</sup>

One government service organisation expressed the view that ECPO had been unable to undertake their complaints role fully because of their lack of profile and lack of awareness of their role in the general community.<sup>72</sup>

#### **4.1.5. Environmental Energy Concerns**

Two focus groups raised key environmental concerns and emphasised the need for sustainability and the need for government to engage fully with this issue "...for the betterment of society and the longevity of our society."<sup>73</sup> All focus groups were interested in contributing to energy conservation through various demand management strategies and, with the exception of the low income group, all considered paying more for green energy. Focus groups also raised the option of green incentives which would encourage them to enter into market contracts.

Two focus groups (middle income and rural and regional) specifically focussed on environmental issues and expressed concern with the long term sustainability of current energy use in addition to the questions asked of them on demand management and renewable energy.<sup>74</sup> Most of those making these suggestions were younger people (approximately under 35 years of age). They emphasised the need for:

- An option to pay for renewable energy sources via their electricity bill
- Incentives to reduce consumer demand
- Incentives for the government to invest in green energy

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<sup>70</sup> Interview 19, FC, December 2005.

<sup>71</sup> Interview 5, Financial Counsellor, November 2005.

<sup>72</sup> It is interesting to note that during the course of the research one potential focus group participant contacted the researcher to find out if there was a complaints body they could take their issue to. They were disputing a power bill.

<sup>73</sup> Focus Group 1, Middle Income, May 2006.

<sup>74</sup> It should be noted that two environmental energy questions were not asked specifically of advocates. These questions were added at a later date at the request of the advisory committee.

- Government to provide rebates for solar energy and to be able to sell their solar power back into the grid
- Building codes that minimised energy use.

By way of illustration one participant described the incentives she would need to change retailers:

...companies that were doing things a little bit differently. Perhaps things that had a greater pledge to the environment, perhaps where some of the money, excess profits and so forth was distributed into environmental projects or perhaps they were introducing green energy.<sup>75</sup>

Another participant wondered if the introduction of FRC would change the obligation of companies to invest money into green energy.

Three participants from two different focus groups prioritised the environment first over consumer issues. As one participant summed up:

I think if we are going to introduce such a big system – it's a global issue, if it's going to be the whole of Australia, it's about the region. You shouldn't just push it through because I think if we are going to have change, let's have some positive things for the environment first, for me. And then positive for the consumer as well.<sup>76</sup>

#### **4.1.6. Community Cynicism or Community Empowerment?**

A common thread through discussions with residential users about the introduction of FRC was a level of cynicism about the motivation the government had for privatisation and what the actual benefits would be. There were a number of people in each focus group who expressed a broad disillusionment in government processes including the lack of consumer engagement or approval of the sale of a government monopoly and essential service. This trend was also reflected in the opinion of most advocates. There was also general consensus among both residential users and advocates that there was a level of apathy among residential users and small business in engaging in debates or discussions about electricity issues at a policy or strategic level.

There were, however, expressions of community empowerment identified through consultation processes. For instance one Regional Electricity Council Chair identified the RECs role as empowering consumers through their contacts with the distributor. In other words the Chair identified that consumers could get solutions to their problems through the work of the REC.

At a more immediate level the focus groups interviews were identified as potentially empowering. One participant saw his input into the focus group as an opportunity for encouraging a change in government attitudes: "...I think any research done into it by these sorts of focus groups, talk to people, and especially by universities and things like that, it's really important."<sup>77</sup>

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<sup>75</sup> Focus Group 1, Middle Income, May 2006.

<sup>76</sup> Focus Group 1, Middle Income, May 2006; See also Focus Group 3, Rural and Regional, May 2006.

<sup>77</sup> Focus Group 1, Middle Income, May 2006.

Other individual participants also commented upon the importance of independent research organisations like the Centre for Credit and Consumer Law taking up this issue and saw value in the focus groups in providing them with an opportunity to gain more information on the subject of full retail competition and electricity delivery generally.

In contrast one person expressed cynicism about the methodology in the consultative process and the need for expert involvement in the advocacy process. This person asked how genuine consultation could truly happen through focus groups because it was promoting selective viewpoints. They made this point as part of a broader point about the need for experts rather than ordinary householders to assist with consumer advocacy on electricity issues. As this person described:

I feel enormous cynicism about the consultative process. And I think we're moving to a time where we want to be able to trust our experts. We don't want to have to become expert in quite plainly technical things...<sup>78</sup>

The prime recommendation by all residential user focus groups and many advocates for the need for an independent complaints handling body strongly suggests that participants identified a significant role for a consumer protection agency with significant powers to act as a watch dog for consumers.

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<sup>78</sup> Focus Group 4, Retirees, May 2006.

# Chapter 5: Focus Group Findings

## 5.1. Introduction

In this Chapter detailed analysis of findings in relation to residential user focus groups is discussed based around the questions the participants were asked. The four focus groups were.

- Low income Brisbane residents
- Middle income Brisbane residents
- Low and middle income Toowoomba residents
- Low and middle income retired Cairns residents

## 5.2. Residential Users

### 5.2.1. What do You Think Ordinary People Know About the Electricity Industry?

Most participants described that all they knew about electricity was whether their electricity was on or off – or whether the power bill was due. Even so, all focus groups identified electricity as an essential service. As one middle income resident identified – this lack of engagement reflected in part the way that the electricity bill was managed as part of acceptable household costs and the lack of identifiable issues attached to the delivery of electricity.

Just thinking to myself, it's not a subject one talks about, is it, the electricity market. It's not something that's a burning issue like petrol or the cost of producing petrol or other forms of generating fuels. ... it's not as if it's a topic of conversation – when the bill comes in, look, gee we're down this month, great. We've cut back a bit, that's good, we've saved a few bob. But then it's spent on something else anyway.<sup>79</sup>

However, this viewpoint was not supported by all participants particularly those in the low income and regional focus groups who barely managed paying their current power bill and/or who conserved their power usage in order to save on bills.

There was a general lack of knowledge about the delivery side of electricity. As one participant pointed out: "I know it's generated somewhere and then it's piped through the wires and ends up at my house, that's all."<sup>80</sup>

This lack of knowledge extended to a broader lack of knowledge among most participants in the focus group about the electricity industry, regulatory arrangements or the National Electricity Market (NEM). The exceptions were two participants who had experienced the introduction of

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<sup>79</sup> Focus Group 1, Middle Income, May 2006.

<sup>80</sup> Focus Group 2, Low income, May 2006.

FRC first hand in the southern states and four participants who, through their work, had been engaged in the electricity industry, three as technicians and one as an advocate.

### **5.2.2. Which Electricity Issues are the Most Important for Consumers?**

Participants were asked what electricity issues would be of most concern to them particularly given the impending industry/regulatory changes in Queensland and at the National level. Participants were offered a range of issues to choose from including price, quality, safety, reliability, disconnection and reconnection, financial hardship, environmental considerations, green energy and complaint handling. Their concerns were clear – price and reliability were the main concerns. In particular there were:

- Concerns about potential price rises
- Some ongoing concerns about supply issues
- A level of wariness about the benefits of FRC and fears that there would be a loss of reliability and/or service quality reflecting a confusion among some consumers about the difference between retail and supply functions.

#### ***Price***

Most participants identified price as a key issue of concern. For instance participants were concerned that the introduction of FRC would lead to price rises at worst or at best provide marginal price benefits. Most people did not think prices would come down with the introduction of FRC with one person describing it as “wishful thinking” to see it otherwise.<sup>81</sup>

A number of participants identified a strong role for government in ensuring adequate control over pricing. All participants identified price rises as potentially detrimental to low income earners. As one middle income participant identified: “I think one of their priorities has to be that lower income earners can definitely still afford to have electricity, because it is such a basic service.”<sup>82</sup> A rural and regional participant identified the elderly as a vulnerable group: “But if the price of electricity goes up I just think of elderly people in winter time and not having any electricity to turn a heater on or anything like that. It would be disastrous.”<sup>83</sup>

#### ***Reliability***

Overall many consumers saw the government’s role as ensuring that there was a reliable supply of electricity at a reasonable price hence reliability of electricity of supply was often discussed in conjunction with pricing.

However, discussions around FRC indicated confusion in some participant’s minds between the privatisation of the retail arms of government electricity interests and its impact on supply. This was an issue in all focus groups. For instance one person in the middle income group asked if the government would guarantee supply with FRC and in the low income group two people raised the issue of a potential decline in safety and service standards respectively as a result of the introduction of FRC.

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<sup>81</sup> Focus Group 1, Middle Income, May 2006.

<sup>82</sup> Focus Group 1, Middle Income, May 2006.

<sup>83</sup> Focus Group 3, Rural and Regional, May 2006.

As one person asked: “Price is important but I’d rather pay that little bit extra to ensure that I have the electricity on all the time – just that it’s reliable”<sup>84</sup> and another: “If the other one [retailer] guarantees me the safe, the same regular power supply and it’s cheaper, then I would change. But the reliability is the main factor.”<sup>85</sup>

One person in the rural and regional focus group presented a list of concerns which highlighted the uncertainty the changes of competition brought for some participants – and confusion surrounding the impact of FRC on price and service quality. She asked:

- Would seniors be eligible for concessions?
- Would the ambulance levy be retained?
- How would the meters be read?
- Where would we pay our bills?
- Would the quality of service be reduced?
- Who do we contact about black outs and brown outs?

One person asked how they would get their complaints addressed about quality of supply issues such as brownouts by the retailer when it was a distribution issue not a retail issue. Another person highlighted service issues and their own confusion between retail and supply functions.

The thing I’m concerned about with the power is we’re in a block of units. Now if everyone decides to go to the one company that’s fine, but if they break it up and the individual people then split up and go to different companies, what’s going to happen to the service that we get now compared to the services that we used to – I’m not worried about generation, I’m not worried about the transmission, but if the power thing is going to work, how is it going to work and how’s it going to save money?<sup>86</sup>

The retiree focus group could not come to any agreement about what the main issues would actually be in respect of impending changes but did identify issues associated with more choice and marketing such as information overload and more telemarketing. The five week Auckland power failure of 1998 was used as an example to show that privatisation of the network resulted in neglect of maintenance/infrastructure because of the focus on profit (again this example reflects a confusion between supply and retail but also a concern among rural and regional participants about the impact of privatisation on the quality of the network). For instance one participant had big concerns about infrastructure safety and whether there was enough load bearing capacity in the network.

### ***Levels of Wariness***

Most focus group participants voiced concerns about the privatisation of a government service. Most participants were not aware that the retail arms of Energex and part of Ergon were to be privatised and/or that full retail competition was being introduced. There was a general wariness

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<sup>84</sup> Focus Group 1, Middle Income, May 2006.

<sup>85</sup> Focus Group 4, Retirees, May 2006.

<sup>86</sup> Focus Group 2, Low income, May 2006.



expressed by a number of people and an overt level of cynicism expressed by a few people about the reasons for privatisation and the way in which the sale was conducted.

I think the government does have the responsibility. If it's something ... and they've made a decision that they're going to sell off bits and pieces of it without the consensus of the general population, because the people are the ones that vote the government in to make the decisions. So I would expect some kind of responsibility from them to make sure that things are working reliably and that people aren't getting ripped off by the companies. Just from the fact that it's a decision they made so I feel they have a responsibility. Because I know a lot of people aren't happy with privatisation but then again there are people that are.<sup>87</sup>

This wariness had a flow on effect to opinions expressed about FRC. For example there was a wariness expressed by residential users about entering into the market because of prior experience with the results of privatisation of other government monopolies. As discussed earlier a number of people made analogies with the opening up of the telecommunications market.

### **5.2.3. If FRC was Introduced Would People Switch? Why? Why not?**

Approximately half of the focus group participants said they would switch from standard contracts to market contracts conditional on certain offers being made to them as part of the market offer. In other words switching depended on whether or not there were clear benefits to be obtained for those who supported choice. The main identified benefit was a price saving. As one participant described: "Yes, I think pricing is probably the main reason why anybody would want to change".<sup>88</sup>

Other incentives identified were:

- Ease of switching
- Being offered a plan with 'real choice' that fitted the lifestyle of the participant including 'green initiatives'
- Being offered the same level of reliability and service at a cheaper price.

In contrast to the middle income and self-funded retiree groups, low income and regional focus group participants expressed less interest in switching.

A number of participants who were interested in switching indicated that they would not switch initially but wait 'until the dust settles' to determine which offers to take up. As one person summed up: "...I would consider looking at the others. Whether I changed or not would be another matter."<sup>89</sup> The reasons participants gave for switching were:

- A proven track record
- 'Word-of-mouth' recommendations to switch

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<sup>87</sup> Focus Group 2, Low income, May 2006.

<sup>88</sup> Focus Group 4, Retirees, May 2006.

<sup>89</sup> Focus Group 2, Low income, May 2006.

- Identifying the ‘best deal’.

The majority of those who said they would not switch declared that there would be no clear benefits in switching. Some of their comments included:

- Stick with the existing retailer (i.e. the ‘devil you know’)
- The domestic market would not be big enough for retailers to make a profit and therefore real choices would not be offered
- Fears of hidden costs in switching such as delays in being connected and unexpected charges
- Inability to distinguish between offers
- Too much choice leading to inertia
- Fear of getting locked into a long-term contract.

For some, it was too complicated. Again the telecommunications industry was used as an example:

If you get a new mobile phone these days you’ve got this massive text book you’ve got to read to learn how to work it. It’s just too complicated now. I’ve got other things to do with my time.<sup>90</sup>

Another person expressed weariness at the motivation behind the offer:

And what about the deal, the [come in sucker] deal for three months, and then once that three months has gone, wow, you are left with such a rising amount that you couldn’t cope with it anyway.<sup>91</sup>

#### **5.2.4. What Information Would Help You Switch and Who Should be Providing this Information?**

Participants found it difficult to give detailed responses on specific information that would help them to switch because as discussed earlier in this report it was difficult for them to anticipate responses and outcomes when FRC had not yet been introduced. Participants were on firmer footing when talking about who should provide the information. Some participants thought it was up to the retailer to provide the information and others thought that an independent body, such as an ombudsman, should supply the information. Participants in the low income group asked that the information be presented to them in plain English with clear explanations. Three focus groups suggested that the information should be delivered via the TV. Other suggestions included:

- Comparator tool on government web site
- Information on offers in a standard format
- Information sessions via community networks
- Television or radio advertisements
- Mail out from the government as long as it is distinguishable from junk mail

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<sup>90</sup> Focus Group 3, Rural and Regional, May 2006.

<sup>91</sup> Focus Group 3, Rural and Regional, May 2006.

- Publication of a ‘Choice’ type magazine evaluating the offers.

The regional and rural and low income focus groups identified the need for more outreach work to be conducted by government to explain the changes particularly in relation to people who could not necessarily negotiate a public education campaign focussed on print media. They identified community networks as a good way of receiving information e.g. via local information sessions and word of mouth. As one person pointed out it was “...better to engage with people who are engaged and that’s through community networks and through groups that are active...”<sup>92</sup> One woman singled out older people in her retirement villages as a case-in-point who had

...absolutely no comprehension of anything like this, it would be a real nightmare to them. And so for them suddenly to get flooded with all this, maybe [if] there was somebody who could go to those types of places and explain it more fully. Because not all of us living there have family that we can contact.<sup>93</sup>

### 5.2.5. What Sort of Body Should Deal with Complaints?

The focus groups shared different ideas about what sort of body should deal with complaints. For instance two focus groups (low income and regional) specifically identified the establishment of an independent ombudsman type scheme whereas the other focus groups did not. However, all focus groups shared similar opinions about the key features of a complaints process. They outlined the following points:

- A single point of contact to resolve the complaint
- The establishment of a clear process for making the complaint
- Quick resolution of complaints.

One person summed up the key points as follows:

It’s important to me that if I have a question, not even a complaint, just some queries, that whoever answers the phone can answer it, or put me through within one transfer to somebody who can answer my question clearly.<sup>94</sup>

All focus groups said they did not want to be put through to a call centre or ‘fobbed off’ hence they stressed the need to have a person they could speak to who could directly help them with their complaint. One person who had in the past found the retailer/distributor dismissive of her complaints wanted to avoid what she described as ‘stonewalling’:

I think that in a lot of ways when you do complain directly to them, that is their primary tactic because they know that if they stonewall enough, people will just say, I don’t have the time, the inclination, the patience, the knowledge to be able to actually take it where it needs to go. And that’s how they get off the hook.<sup>95</sup>

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<sup>92</sup> Focus Group 3, Rural and Regional, May 2006.

<sup>93</sup> Focus Group 2, Low income, May 2006.

<sup>94</sup> Focus Group 1, Middle income, May 2006.

<sup>95</sup> Focus Group2, Low income, May 2006.

As discussed earlier participants had a very low level of awareness about complaints bodies for consumers. Participants did not mention the Regional Electricity Councils as a possible forum for complaints about electricity issues.<sup>96</sup>

### **5.2.6. Level of Consumer Participation in Decision Making, Discussion or Debates on the Electricity Industry and its Regulation**

Most people had not participated in any way in decision making, discussion or debates about the electricity industry. As one person summed up: "...most people aren't involved, they just want to pay their bills so there's no engagement."<sup>97</sup>

Most participants were reluctant to propose models that involved their direct participation because no-one envisaged a local volunteer group being successfully established. Rather, they saw the need for either a consumer consultative committee (with participation fees) and/or an independent expert body that could be entrusted to advise relevant bodies and interface with government on consumers' behalf.

A number of people stated that they would not join a local interest group because they did not think it would have much impact. They expressed a feeling of cynicism and/or powerlessness about being able to effect change through grass-roots groups. One person pointed out that as a small user of power it would be difficult to have a voice comparable with what large users of power had with government.

I mean if you were somebody else that was a business person and at the end of that line you had a production company that was going to use lots of power and you were going to make squillions of dollars, you would just say, well bad luck fellow, you lose I win. And so it goes on.<sup>98</sup>

Related to this view was concern in the low income group that in the climate of structural and regulatory change the government and industry would lose sight of the 'little people'.

Some participants identified complacency or apathy as an obstacle to establishing discussion on this issue.

...I don't know if they general community want to become more involved in it. I often think it would be good if they did. But I don't know if they really do wish to be that involved... I think there's a lot of...a bit of like apathy, sort of take it for granted.<sup>99</sup>

One participant (low income) noted that in the case of electricity there needed to be experts that consumers could rely on and trust : "...I would like to leave it to the experts"<sup>100</sup> She went on to

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<sup>96</sup> No specific question was asked about RECs and no one made mention of the RECs of their own accord.

<sup>97</sup> Focus Group 1, Middle income, May 2006.

<sup>98</sup> Focus Group 1, Middle income, May 2006.

<sup>99</sup> Focus Group 1, Middle income, May 2006. This point was made in relation to having land resumed for transmission. A similar point was made by the rural and regional focus group.

<sup>100</sup> Focus Group 2, Low income, May 2006.

say she wanted a certain amount of information but equally she wanted to put her trust in someone who knew what they're doing. Another participant (retiree) made a similar observation.

There were three exceptions to those participants who had not engaged with electricity issues at a local level – one person had filled in an Energex questionnaire, another had sought improvements in their local supply network through their Neighbourhood Watch Group and a third person had participated in a consumer network meeting as a function of their professional association.

The participant who had sought improvements in supply and lighting issues through their Neighbourhood Watch Group also suggested the idea of a consumer consultative committee to address supply and lighting concerns. For instance this participant identified ongoing frustration in getting power poles and lights replaced.

Maybe tapping in through a consultative committee or a council or a focus group, whatever you want to call it, is a way for us as a community to be proactive in ensuring that what's out there is meeting our needs as a community, but also providing [the retailer /distributor] with the information that they need to ensure that they're meeting their obligations ... its customers. That happens regularly that the light goes out in the street which is [a retailer /distributor] problem, unless someone actually rings up and says, can you please come and change the light bulb, the light in [X] Street, they don't know about it because they don't drive around at night time.<sup>101</sup>

One participant identified the need for a consultative committee to have representation of diverse members of the community citing youth, elderly and people with disabilities.<sup>102</sup>

### **5.2.7. Demand Management and Sustainability Issues**

The final two issues which focus groups discussed canvassed energy conservation. Participants identified whether they were interested in demand management strategies for conserving their energy and playing a role through their electricity usage in fostering renewable energy sources.

One of the notable outcomes in two focus groups (middle income and regional) was the identification of environmental issues as being important particularly for the younger participants (approximately 35 years and under) in the focus groups. Participants identified the following objectives:

- Establishment of sustainable long-term solutions for energy delivery
- Provision of renewable energy choices in the new FRC environment.

In contrast to the environmental focus in the above groups low income participants did not discuss this issue to the same degree. For instance low income earners did not see how they could reduce their energy use any more than they had already or pay more for renewable energy. One participant pointed out there was not a great deal more he could do.

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<sup>101</sup> Focus Group 1, Low income, May 2006.

<sup>102</sup> Focus Group 3, Rural and regional, May 2006.

Not a great deal. I mean to only have one light on of a night time and it's only a small unit. My telly goes day and night basically, not that I sit in front of it, but it's company's sake. Yes, I do have a computer, but it's only switched on when I want to play games and to use the internet I go up to the dining room. Why should I pay for it when they're paying for it? I don't think I could be much less and I don't use that much in hot water or anything.<sup>103</sup>

One low income person in the retirees group described how she would go without hot showers in order to ensure she had enough money to pay for what she saw as essential air-conditioning costs. In addition to low income older people who, out of necessity, reduced their usage there were also low income younger people who had a strong interest in energy conservation. For instance one student chose not to have hot water showers because of his philosophical commitment to energy saving although there was also an obvious cost-benefit. Another younger participant said he chose to clothe more warmly in winter and make minimal usage of heating for similar reasons.

Two low income earners who could not participate in the focus groups wanted to table their concerns with the project researcher about not having adequate choice of tariffs to assist reduced usage. Both these people were in rental properties and were not able access cheaper off-peak tariffs. One of these people, a part-time student, summed up their predicament in their efforts to save money and 'protect the environment' as a tenant.

I am a low income earner (below\$20K annual income). My partner and I rent a non-air-conditioning unit...We try very hard to reduce our electricity bill any way we can, not just to save money, but also to protect the environment. Our unit has a solar hot water system which works fine when we have cold showers in summer, but is inadequate when winter comes round. We tried to have it converted to off-peak as well, but [the retailer/distributor] said that our electricity consumption was too low for it to be worthwhile...They said it would take a few years to pay back what is spent, and that we would have to get the owner of the property to agree in any case.<sup>104</sup>

The majority of the regional focus group participants said they endeavoured to be frugal with their electricity usage and made specific efforts to conserve energy such as reducing appliance usage, turning off unnecessary lights and wearing layers of warm clothing in winter in order to save on costs. However, even with these cost saving endeavours it was difficult to reduce the power bill below a certain amount. As one older woman described:

If my electricity bill goes above \$58 I get absolutely panic stricken and think okay, what did I leave on? I couldn't have left an iron on because I only do about an hour's ironing once a fortnight or something. I don't iron things like sheets and pillowcases or pyjamas.<sup>105</sup>

### ***Minimising the Need for Energy***

The majority of participants knew the approximate amount they spent per quarter on their energy bill. However there were mixed responses between the focus groups about whether they were able to further reduce their energy bill. Half the middle income group said they were very careful about

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<sup>103</sup> Focus Group 2, Low income, May 2006.

<sup>104</sup> E-mail to [j.bathgate@griffith.edu.au](mailto:j.bathgate@griffith.edu.au), 27 April, 2006.

<sup>105</sup> Focus Group 3, Rural and regional, May 2006.

their electricity usage, for instance relying on appliance ratings and electricity savings tips. Half the retirees group said they were interested in energy savings.

Three options were suggested to participants as ways for reducing energy usage. They were:

- 1) Providing educational information about how to reduce electricity usage
- 2) Personal assistance in reducing usage in the home such as retrofitting
- 3) Installing a meter in the home to display the cost of energy being used at any moment in time

Most participants welcomed all three options and expressed particular interest in the metering option. The middle income group also noted that there also needed to be mandatory building requirements to reduce energy usage such as the use of solar power. One person pointed out that there was a need for incentives for implementing conservation strategies.

There was no clear consensus about which option would work best but rather a multi-strategy approach was recommended. For instance in the retirees group two people identified the meter option as helpful while another person pointed out that education (including an energy rating system) was the key. Another person pointed out that people are now being trained in being 'water wise' and they should also be trained in being 'electricity wise'. Two to three people in each group expressed interest in metering but also wondered if the level of interest in metering would decline after the novelty wore off.

### **5.2.8. What Role should Consumers Play in Renewable Energy Use? What Knowledge do Consumers have about their Renewable Energy Use? How Much would Consumers be Prepared to Pay for it?**

Most of the participants were not aware of how much their energy was derived from a renewable source. Half the participants expressed an interest in receiving renewable energy, noticeably in the middle income and retirees group.

Those participants that expressed an interest in renewable energy expressed a percentage range of what more they would be prepared to pay for renewable energy on top of their existing electricity rates. In the middle income group participants were prepared to pay between a range of 10%-20% more while participants in the retirees group were prepared to pay between a range of 10% and 50% more. Most regional participants said they would like their energy to come from a renewable source and would be prepared to pay 10% more. One participant in this group and the majority of low income participants could not pay more than they were already. One participant in the low income group said he could pay 5% more and another suggested that the Government should assist with making renewable energy more affordable.

The retirees group was noticeable for expressing an interest in nuclear power (three participants). Two of this group said they would change their mind about renewable energy if it became cheaper and more reliable.

# Chapter 6: Interviews with Advocates

## 6.1. Introduction

In this Chapter detailed analysis of findings in relation to the interviews of advocates is provided. The advocates are grouped on the basis of similarity of issues or similarity in advocacy roles.

The advocates that were interviewed represent various kinds of small-end users ranging from low income residential users to farmers and small business. Hence, the agenda and the focus of advocates was, at times, quite different from one another.

Some advocates were more policy focussed (consumer advocates and peak bodies generally) while others dealt with specific issues and complaints made by consumers (financial counsellors and Regional Electricity Councils (RECs)). Even within one group there was diversity. For instance generalist financial counsellors dealt commonly with the daily struggles of low income clients' capacity to pay their energy bills while farm financial counsellors dealt also with the financial issues faced by a farmer running their business.

There were also differences between advocates from large regional centres or cities. Rural and farm advocates tended to focus more on quality and reliability of supply issues than their city/large town counterparts who focussed more on consumer protection and retail issues.

Four broad themes can be discerned, although these are not exclusive to these particular groups:

- Consumer protection issues in relation to energy retail services (consumer advocates, financial counsellors and community service organisations).
- Demand management (Environmental advocate and financial counsellors).
- Hardship resulting from incapacity to pay and disconnection (financial counsellors and community service organisations).
- Quality and reliability of supply issues (small business, RECs, peak agricultural/farming bodies).

Four main groupings of issues raised by advocate groups are discussed to address the diversity of responses while addressing the above themes.

- 6.2 Dealing with energy policy: consumer and environmental advocates
- 6.3 Dealing with hardship: General financial counsellors and community service organisations
- 6.4 Dealing with quality and reliability of supply issues: Regional Electricity Councils and small business groups
- 6.5 Dealing with rural issues: Peak farming bodies and farm financial counsellors



## 6.2. Dealing with Energy Policy: Consumer and Environmental Advocates

Three volunteer consumer advocates with long standing volunteer experience in Queensland on general consumer and energy issues were interviewed. One environmental advocate in a paid position representing a number of Queensland environmental groups was also interviewed.

These advocates undertook work at a strategic and policy level. For instance all consumer advocates had links with the state and national consumer network and in some cases grassroots contact with community organisations and other service providers such as financial counsellors. Their focus, partly due to their location, had been on South-East Queensland.

While sharing a policy focus the issues defined by the environmental advocate were distinct from consumer advocates. Consumer advocates have traditionally focussed on the essentiality of electricity and the need for residential users to have reliable energy at affordable prices while environmental advocates have focussed on how best to meet energy needs in the most environmentally beneficial way for all classes of users.<sup>106</sup> The focus of environmental advocates has largely been on demand-side management and more efficient use of energy for both residential users and businesses. As the environmental advocate acknowledged: “...we’re trying to feed some of that information back to other advocacy groups but we’re weak on knowing what some of the social justice type issues [are].”<sup>107</sup>

### 6.2.1. How Often do Members Raise Issues About Electricity Matters? Which are the Most Important Issues?

Both the consumer advocates and their environmental counterpart received broad-based feedback from members on electricity issues.

Within the general consumer movement energy is one of a number of competing issues. Because of the voluntary basis of consumer organisations, responses to energy matters tend to be reactive.<sup>108</sup> However, there are a handful of consumer advocates with a specific interest in energy including those interviewed. Key concerns identified by consumer advocates included:

- Safe-guarding the essential nature of electricity.
- Ensuring that consumers have efficient, safe, reliable, high-quality power supply that is also affordable.
- Ensuring that low income/vulnerable consumers have adequate protection.
- Identifying the impacts of energy de-regulation on consumers including of the privatisation of government owned retailers Energex/Ergon and the introduction of FRC.

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<sup>106</sup> Interview 18, Environmental Advocate, December 2005. See also Total Environment Centre (2006) ‘How Should environmental and social policies be catered for as the regulatory framework for electricity becomes increasingly national?’ Sydney.

<sup>107</sup> Interview 18, Environmental Advocate, December 2005.

<sup>108</sup> An example of the latter, that one advocate pointed out, was the consumer movements response to the Electricity Distribution and Service Delivery Review. For instance the Queensland Consumers Association made a submission to the Review.

- Developing policy responses to the possible introduction of cost-reflective pricing for consumers in the future.

The environmental advocate highlighted significant concerns about the rising demand in electricity in Queensland and the impacts of this demand on security and reliability of supply. For instance the rapid growth in air conditioners was raised as a concern (as it was by some REC Chairs). From this advocate's perspective there was an insufficient range of generators to deal with this increased demand: "There's not enough capacity now with the full growth to cater for a heatwave on the east coast."<sup>109</sup> The ongoing issue of greenhouse gas emissions was also tabled.

### **6.2.2. What Regulatory Reforms and Non-Regulatory Reforms are Necessary at this Time and with the Introduction of Further Regulatory Changes Including Full Retail Competition in Queensland?**

All advocates were concerned about the need for regulatory and non-regulatory reform although their focus was somewhat different. Consumer advocates advocated for:

- More openness about decision-making and consultation arrangements.
- Sufficient resources for policy development.
- Good dispute resolution/complaints handling processes.
- A good consumer protection framework.
- Effective hardship policies for retailers and transparency in the contract arrangements between consumers and retailers.

As one consumer advocate pointed out, lack of time and opportunity to participate in government consultation processes was a barrier:

With no discussion people's ideas are not generated and people don't start thinking as much. I don't mean that critically but without any discussion about the issues then you don't get that level of awareness do you?<sup>110</sup>

Another factor was lack of resources. As one advocate pointed out: "We don't have any research capacity, we have limited advocacy capacity and we don't even have some of the basic knowledge to be able to respond to some of these issues."<sup>111</sup>

The environmental advocate recommended improvements in the tariff structure and welcomed the introduction (in late 2005) of the removal of the inverted tariff in Queensland and its replacement with the flat tariff which was cost reflective.<sup>112</sup> Other strategies suggested by the environmental advocate included:

- Mandatory targets for renewable energy in Queensland and carbon trading.

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<sup>109</sup> Interview 18, Environmental Advocate, December 2005.

<sup>110</sup> Interview 1, Consumer advocate, November 2005.

<sup>111</sup> Interview 20, Consumer advocate, January 2006.

<sup>112</sup> Queensland Government (2005), 'Flat electricity tariff provides fairer pricing system', Media Release, 4<sup>th</sup> of November, 2005.

- Housing codes for energy efficiency.
- Minimum energy performance standards to be extended to all electrical goods.
- Standardisation of connection for renewable energy generation.

At a householder level the environmental advocate stressed the need to focus on energy service delivery (affordability, equity, reliability) rather than its more technical aspect (light, heat, cooling and power) for residential users because

... there's a really big gap of knowledge about why does electricity exist [for residential users] and by focussing on electricity we are subtly giving the impression that electricity is the only means by which I can meet your needs, in a sense, rather than thinking, this is one means. So to that extent I think small end-users would have a better understanding of the market and where they fit and what their options are and how they'll be involved in discussions of energy service - if it's put in that light rather than just electricity. Electricity is a fairly scientific sense that most people have no idea of other than turn on a switch and something's there.<sup>113</sup>

The advocate also pointed out that reliability in regional Queensland was not necessarily dependent on whether people were on the grid or off the grid but rather "...the reliability and the quality of the service whether you're a renewable energy system or a network provider it doesn't matter, it's the quality of the service."<sup>114</sup>

### ***Post-FRC Issues and Reforms***

All advocates noted the importance of continuing reforms in the post-FRC environment. Consumer advocates focussed on the need for consumer education and the maintenance of price equivalence through the tariff structure. They identified the need for consumers to be well informed about the contract they were signing and to have continuing access to uniform (regulated) tariff arrangements for all customers, particularly for low-income customers who would be less likely to be offered market contracts.

The environmental advocate also expressed concerns about the length of the contract and advocated that contracts should be no longer than two years.

Consumer advocates also identified the need for specific regulatory reforms including the establishment of:

- An independent industry-based Ombudsman.
- A retail and marketing code including protection from intrusive door-to-door sales and phone calls.
- The development of a standard contract.
- The development of flexible contracts to avoid people getting locked in to long term contracts with possibly higher prices.
- Effective hardship policies implemented by retailers including strategies to address unfair penalty fees.

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<sup>113</sup> Interview 18, Environmental Advocate, December 2005.

<sup>114</sup> Interview 18, Environmental Advocate, December 2005.

- Assurance that contracts would be signed with explicit informed consent.

Consumer advocates also identified a number of unanswered questions with the introduction of FRC:<sup>115</sup>

- Would FRC deliver any benefits to low-income people or low users of power?
- What would be the true costs of implementing FRC for consumers?
- Would some classes of consumers be worse off under FRC arrangements?

One advocate noted the critical need for ‘informed choice’ in the FRC context with:

Customer protections, clear visible plain-English rules written by a retail code and an associated marketing code...compared with interstate jurisdictions, and in particular Victoria and South Australia, consumers up here have very few protections.<sup>116</sup>

The environment advocate identified the need for green power/environmental offerings from new retail entrants including a mixture of green power options bundled with other energy services.

### ***Sustainability Versus Affordability***

The environmental advocate made four recommendations in light of the new FRC environment:

- The need for government leadership on policies on renewable energy and demand management.
- The need for ensuring that new contestants in the full retail market could provide renewable energy generation.
- Ensuring that FRC did not undermine the business viability of renewable energy and energy efficiency of businesses.
- Ensuring that the uniform tariff and community service obligations did not undermine energy efficiency.

In contrast to the consumer advocates the environmental advocate was more cautious about the benefits of a uniform tariff structure and the community service obligation in terms of energy issues. The advocate sought: “... some guarantee that the tariff structure offered by new entrants will not undermine energy efficiency because that affects affordability and household size and all those sorts of things.”<sup>117</sup>

The advocate pointed out that the community service obligations needed to be transparent so that the consumer knew exactly how much they are paying. In this way the advocate anticipated that the true costs of electricity would be better understood potentially leading to changes in consumer behaviour.

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<sup>115</sup> Interview 20, Consumer advocate, January 2006.

<sup>116</sup> Interview 1, Consumer advocate, October 2006.

<sup>117</sup> Interview 18, Environmental Advocate, December 2005.

### **6.2.3. Will Members Switch from the Uniform Tariff to Market Contracts?**

All advocates acknowledged that some consumers were likely to switch if they could identify an advantage. All advocates acknowledged that consumers would be attracted to switching through incentives such as dual-fuel offers and the lure of short-term non-financial inducements such as football tickets. As one advocate summed up: "... I think it will be partly the attractiveness of the offers, the amount of publicity that is done. I think that some people will be attracted to green energy offers and will be taking those up."<sup>118</sup>

### **6.2.4. Level of Involvement of the Organisation and Members in Debates about the NEM and the Regulatory Framework**

All consumer advocates conceded that while they had extensive involvement in debates and discussions about the NEM and regulatory frameworks as volunteers, they lacked capacity, time and resources to be more extensively involved. One advocate stressed the importance of interstate support from colleagues in their volunteer work in helping stay on top of national issues. A lack of formal linkage to national energy bodies such as the Australian Energy Market Commission and Australian Energy Regulator had also compounded the problem for these advocates, but they identified that these links were improving with the move to the NEM.

In recent times all advocates had participated actively in debates and discussions about the NEM and, more recently, FRC. State based engagement with energy issues in the past included significant work around complaint handling and ECPO and the Electricity Distribution and Service Delivery Review.<sup>119</sup>

#### ***Funding issues***

All advocates (consumer and environmental) advocated more funding and resources for advocacy although the focus of these resources differed between the two groups. All advocates also talked about the amount of work required to deal with national energy market issues.

Consumer advocates emphasised the need for resources for full-time funded positions. However, they also acknowledge the importance of their volunteer role in this area. One advocate stressed the need for some form of remuneration such as sitting fees to participate in consultation processes and described the main inhibitor in Queensland in participating in debates and discussions as the lack of Government will to consult in comparison with other states such as Victoria and NSW.<sup>120</sup>

I think the debate could be more robust. I think people could show more interest. But you see perhaps that's blunted by the fact that you can debate all you like but if the powers that be who make the rules are not listening to the debate...we should be debating around a government table with the policymakers.<sup>121</sup>

All advocates stressed the need for increased funding and resources for consumer involvement in these debates to grow. They also noted the vital role other state governments in funding consumer

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<sup>118</sup> Interview 1, Consumer Advocate, November 2005.

<sup>119</sup> See 1.1.2. Network Issues

<sup>120</sup> Interview 1, Consumer advocate, November 2005.

<sup>121</sup> Interview 1, Consumer advocate, November 2005.

energy advocacy centres and the role the National Advocacy Panel had played over the last few years in funding small end-user groups to participate in NEM policy discussions.

#### *Paid versus unpaid advocates*

In contrast to the volunteer consumer advocates interviewed the environmental advocate was funded to undertake their work. This difference was reflected in the scale and kind of lobbying the environmental advocate was able to undertake in comparison with volunteer advocates. The environmental advocate was extensively involved in lobbying government on renewable and sustainable energy. They were also involved in the promotion of consumer knowledge about options and choices in the renewable area. They described their role as:

... making consumers aware of where their electricity comes from, what are the implications of it, what are the rights and what are their options. And then ensuring that there is policy regulation and engineering that enables those things to be implemented.<sup>122</sup>

This advocate had not been involved in any specific debates in relation to the NEM but had kept up to-date with about these debates and passed on information where necessary to environmental groups with a more specific focus on the NEM.

The main impediment to future participation in debates about the NEM and the regulator framework for the environmental advocate was resources: "...who has the time to keep up with what's up to-date, so that when a submission is called for you know what it is you're talking about?"<sup>123</sup>

This advocate recommended the need for a single point on a state and federal government website to read all submissions on energy and more time to respond to Government discussion papers and proposals. The environmental advocate recommended the establishment of a Queensland funded energy person:

...who sits in one of the NGOs [non-Government organisation] who keeps abreast of all the energy issues and that information is spread to all the NGOs, and likewise on issues or reportability. So perhaps...we need to get smarter...about how we feed information around so that not all NGOs are trying to do everything and spread themselves too thin.<sup>124</sup>

### **6.3. Dealing with Hardship: General Financial Counsellors and Community Service Organisations**

General financial counsellors and community service organisations were the largest single group of advocates interviewed. Therefore more space has been devoted in this section to the outcomes of these interviews. Nine financial counsellors were interviewed: seven general financial counsellors and two farm financial counsellors. The feedback of the farm financial counsellors has been placed in section 6.5 as their feedback was more supply focussed. General financial counsellors were

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<sup>122</sup> Interview 18, Environmental Advocate, December 2005.

<sup>123</sup> Interview 18, Environmental Advocate, December 2005.

<sup>124</sup> Interview 18, Environmental Advocate, December 2005.

concerned mainly with clients' hardship issues such as the client's capacity to pay their bills and related disconnection issues.

This section also explores the feedback from five welfare representatives comprising a mixture of peak welfare bodies (2), government assistance services (1), and volunteer community representatives (2). This group is referred to collectively as community service organisations.

Financial counsellors mainly engaged with electricity issues at the point of their client's general financial difficulties including bill payment. Hence their observations are generally more pragmatic and less policy driven than other community service organisations. As one counsellor summed up: "My issues are to be able to get an arrangement that a client can pay."<sup>125</sup> Welfare organisations tended to be more policy focussed than financial counsellors although some organisations dealt directly with clients. However, both groups commonly dealt with the low-income client group.

### **6.3.1. How Often do Members Raise Issues about Electricity Matters? Which are the Most Significant Issues?**

Electricity issues were raised less as a single issue than as a basket of issues where capacity to pay and disconnection reflected other indicators of poverty and disadvantage. As one advocate summed up "...a lot of people just can't afford their power..."<sup>126</sup> And another: "It's definitely a manifestation of poverty that people who experience any fragility whatsoever or vulnerability around their ability to access something as basic in our society as electricity..."<sup>127</sup>

Examples were raised of people trying to reduce their power bills by going without basic electricity use and therefore without other essential items. As one financial counsellor pointed out: "I've now got people, elderly people mostly, that are not cooking their meals of a night time because they can't afford their power bills....That to me is they're not eating correctly."<sup>128</sup>

One advocate pointed out that disadvantage could also reflect an incapacity to adequately deal with issues such as disconnection and making informed decisions:

...if you're experiencing other types of disadvantage, like disability, being older, perhaps being isolated, you perhaps don't have the same access to relationships and resources that can help you to navigate a complex environment...<sup>129</sup>

One financial counsellor also described offering assistance to businesses that were failing. Another counsellor identified the issue of boarding house residents who were vulnerable to being overcharged because their residence was not individually metered.

#### ***How Critical an Issue is Electricity?***

There were differences of opinion among financial counsellors about how critical an issue electricity was for their clients. One counsellor pointed to the frequency of electricity as an issue in

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<sup>125</sup> Interview 19, FC, December 2005.

<sup>126</sup> Interview 25, Government agency, January 2006.

<sup>127</sup> Interview 29, Peak welfare body, May 2006.

<sup>128</sup> Interview 19, FC, December 2005.

<sup>129</sup> Interview 29, Welfare peak body, May 2006.

her work: "...electricity is a common theme in every position I've been in."<sup>130</sup> A more common scenario among financial counsellors was the periodic need to address the issue with clients: "It's probably been an issue at some time or another for most of the clients that I've worked with."<sup>131</sup>

A straw poll undertaken with financial counsellors indicated that specific electricity issues raised with financial counsellors ranged from one issue every two months to two to three a month depending on the region. But lack of frequency did not mean it was not a significant issue. One financial counsellor suggested that there was far more non-payment of electricity bills and disconnection than financial counsellors saw. The disconnection figures cited earlier in this report bear this out.

Most financial counsellors conceded electricity was a critical area because of the essential nature of the service and this was particularly highlighted where financial counsellors interceded on their client's behalf to negotiate a payment plan for overdue electricity accounts in order to avoid disconnection.

There were differences of opinion about how many clients prioritised bill payments. One counsellor commented that because electricity was an essential service people were more like to pay their bill. In contrast one financial counsellor said that because the electricity bill only came every three months it was not adequately budgeted for compared with monthly bills:

Some people...they are getting their mobile phone or telephone account coming in monthly and they feel they have got to pay that. But then after three months the electricity account arrives and because all these other accounts have been paid in the meantime, all of a sudden they haven't got enough money to meet their electricity accounts.<sup>132</sup>

### ***Nature of Assistance***

Financial counsellor's responses highlight the important role they played in dealing with client's electricity hardship issues. It is worth exploring the nature of this assistance in more detail as it gives an additional context to the nature of electricity issues that clients faced. Financial counsellors assisted in three key areas:

- Advice on budget management.
- Advice on energy savings.
- Prevention of disconnection or re-connection following disconnection.

### ***Budgeting Including Easy Payment Options***

A key area where financial counsellors assisted clients was in managing their budget. As one financial counsellor highlighted: "...they have either debt issues relevant to their electricity or as I'm working on budgets with them we discuss where they are at with their electricity, why the bill might be as high as it is..."<sup>133</sup>

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<sup>130</sup> Interview 23, FC, January 2006.

<sup>131</sup> Interview 23, FC, January 2006.

<sup>132</sup> Interview 15, FC, November 2005.

<sup>133</sup> Interview 14, November 2005.



In order to increase budget awareness among clients one financial counsellor advocated the need for education in financial awareness to ensure that payment was made on a regular basis: “So it becomes an educational thing if you like, to make sure that they are managing what funds they have got.”<sup>134</sup> A key part of budgeting advice involved getting people to organise prepayment of bills where possible such as through Centrepay (which was welcomed by a number of financial counsellors).<sup>135</sup>

One financial counsellor described a typical debt management scenario in relation to the electricity bill:

Well if there was a difficulty of [the retailer/distributor] or with a supplier, my role would be then to initially look at their overall bill or budget situation of what comes in and what does out. Then I can determine what money is available to pay the priorities if you like initially. I always try to prioritise those outgoings...rent and electricity being at the top of the list. Then if I needed to go to [the retailer/distributor] to endeavour to negotiate some sort of an arrangement, I will then do so and then structure it ...<sup>136</sup>

#### *Making Energy Savings*

Education on budgeting also extended to providing energy savings advice to clients. One financial counsellor referred to an energy saving advice booklet to assist clients in reducing their power bill. Another financial counsellor encouraged clients to read their meter to see how much power they were using. One counsellor gave the following example.

...we try to talk to them about their hot water system, what are they doing with their hot water system, are they turning it off or turning it on, do they have peak hours electricity, and a lot of them don't know that kind of thing.<sup>137</sup>

#### *Advocacy in Relation to Potential or Actual Disconnections*

Financial counsellors often interceded on the client's behalf with the retailer/distributor to advocate for a payment plan to avoid disconnection or to negotiate re-connection.

One financial counsellor described her position partly in terms of: “... putting other things in place so that it [disconnection] doesn't happen again ... and trying to work out processes and educating people as well.”<sup>138</sup> As she summed up: “It's like people aren't heard or believed until a third party or a professional becomes involved. So that really increases the stress.”<sup>139</sup> She also went on to say that she felt that there was an unfortunate assumption from the supplier that the person was trying to get out of paying the bill. On the converse side one financial counsellor pointed out that it was difficult to negotiate with the supplier when clients “... haven't kept their promise, which makes it pretty well impossible for me to do anything...”<sup>140</sup>

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<sup>134</sup> Interview 15, November 2005.

<sup>135</sup> Centrepay is a free direct bill-paying service offered to customers receiving payments from Centrelink. Customers can choose to pay bills by having a regular amount deducted from their Centrelink payment. See [www.centrelink.gov.au/internet/internet.nsf/services/centrepay.htm#what](http://www.centrelink.gov.au/internet/internet.nsf/services/centrepay.htm#what).

<sup>136</sup> Interview 15, FC, November 2005.

<sup>137</sup> Interview 10, FC, November 2005.

<sup>138</sup> Interview 23, FC, January 2006.

<sup>139</sup> Interview 23, FC, January 2006.

<sup>140</sup> Interview 22, FC, January 2006.

Two case examples highlight the issues surrounding disconnection and the vital need for open lines of communication between the customer and the supplier in order for disconnection to be avoided along with the vital role financial counsellors' play in ameliorating this situation. In the first example the client was unable to negotiate a payment plan until the financial counsellor intervened.

Just before Christmas ... a guy came in, he had two kids, I think, under five and his wife was eight and a half months pregnant. He had been away looking for work and come back and the power bill was there. It wasn't exceptionally high, it was \$150 or something, but it was overdue by the time he had come back and they were threatening to disconnect the power. They wouldn't negotiate with him. He rang them and tried to negotiate and work out some payment options and stuff and they wouldn't.<sup>141</sup>

The second example shows how some Indigenous clients managed their disconnection by moving from house to house.

So in the daytime they would possibly stay at home and then night time or when it's time to cook means they would go to other extended family members to have the evening meal there or stay there at night time and just return to their housing during the day.<sup>142</sup>

### ***Factors Hampering Clients' Ability to Advocate on Their Own Behalf***

Key factors which hampered clients' ability to advocate on their own behalf about electricity bills included a:

- Lack of negotiating skills.
- Lack of literacy.
- Lack of knowledge.

These factors meant that such clients were less likely to complain. In one example an elderly man had been accidentally disconnected and waited three months before eventually ringing a community service organisation for help. One financial counsellor felt clients were reluctant to complain because of a fear of losing public housing if they did so:

...in a low income area where they're desperate for housing they won't lodge any complaint or do anything about that a lot of the time. And I think it's as much about the fear of losing their house as it is about losing their electricity.<sup>143</sup>

One counsellor described how personally confronting it was for an Indigenous person to deal with these issues.

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<sup>141</sup> Interview 23, FC, January 2006.

<sup>142</sup> Interview 10, FC, November 2005.

<sup>143</sup> Interview 14, FC, November 2005.

You have to psych yourself up to do it. So if you're an Aboriginal woman who has just relocated from Palm [Island], English is not your first language, you are not in a position to debate or discuss these issues.<sup>144</sup>

As the advocate summed up: "It's a vital service, but if you don't play by their rules you don't get the vital service."<sup>145</sup>

Financial counsellors and organisations were occasionally presented with clients who had inexplicably high bills due to:

- Faulty appliances, including leaking or inefficient hot water systems.
- A change in tariff structure, for instance when a tenant moved into new premises.
- Inheriting a high bill from the previous tenants.

Low income or vulnerable clients rarely complained or queried cases where they had an unusually high bill. In one case a bill had leapt dramatically from \$100 to \$700. In this case the counsellor ascertained that the client's literacy level was not high enough for this person to put their complaint to the retailer.<sup>146</sup>

Similarly another counsellor pointed out that while clients were willing to negotiate a payment plan "...they won't go and challenge a lot of the time why their electricity bill is as high as it is."<sup>147</sup> One counsellor noted that lack of knowledge about what appliances were contributing to their power bill such as air conditioning was also evident.<sup>148</sup>

### ***Inappropriate Marketing of Value-Added Services***

One final issue raised was a specific marketing issue. One government agency and three financial counsellors identified a marketing issue in relation to the delivery of electricity services – the selling of air conditioning products by the retailer/distributor to clients with little or no capacity to pay for the product.

A related concern was that the costs of repayment for the air conditioning was included on the power bill making it difficult to separate out one bill from the other. As one counsellor summed up:

...I'm finding it hard that in those cases they won't differentiate the bill. To me that's two bills, one is paying off the air conditioning unit, the other is the electricity. So that should be two separate and not the same.<sup>149</sup>

One organisation cited a case of a pensioner being sold \$12,000 worth of air conditioning:

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<sup>144</sup> Interview 23, FC, January 2006.

<sup>145</sup> Interview 23, FC, January 2006.

<sup>146</sup> Interview 14, FC, November 2005.

<sup>147</sup> Interview 14, November 2005.

<sup>148</sup> Interview 19, FC, January 2006.

<sup>149</sup> Interview 19, FC, December 2005.

Where he had really little capacity to enter into a contract to pay off that amount of money at an interest rate that was higher than what he would have been able to get on a housing loan. So that's the issue that we especially have an issue with the selling of those added-on value – value-added services. And what, if any, effect it has on disconnections or your ability to stay connected to the power if you don't pay for that. Does that mean your electricity is going to get disconnected? And especially because we don't know how they allocate payments so if payments come in, do they get allocated first to the third party service or first to your electricity bill?<sup>150</sup>

In these situations the challenge was for the financial counsellor was to make a workable arrangement for the client to pay for the purchase. One counsellor pointed out that it was actually a loan: "I don't like the idea of air conditioners being sold this way at all...I don't believe they're looking at it properly as a loan and that's what it should be."<sup>151</sup>

### **6.3.2. What Regulatory Reforms and Non-Regulatory Reforms are Necessary at this Time? What, if any Issues, need Addressing with the Introduction of Further Regulatory Changes including Full Retail Competition in Queensland?**

Both groups emphasised non-regulatory reforms. Community organisations tended to be focussed on current arrangements while counsellors made pre and post-FRC suggestions for reform in a variety of areas including community education and improvements in internal dispute resolution. The main regulatory reform was the establishment of an independent complaints body.

There were also broad concerns about the impact of FRC and its potential impact on price and particular classes of customers. One financial counsellor pointed out that the government had promised lower prices with FRC but already prices had gone up with the change of tariff structure. He asked: "...how does contestable market forces work where the government's just decided the more power you use the more you've got to pay?"<sup>152</sup> Two counsellors were concerned that particular classes of customers would be no better off with the introduction of FRC. As one of these counsellors summed up: "...the householder, the pensioner, that type of person or single mum, will [they] really be any better off? If anything they might be worse off."<sup>153</sup>

#### ***General Reforms***

Three community organisations clearly nominated issues that were tied to electricity's essentiality and the need for a safety net. Recommendations included:

- The need for a robust and independent ombudsman with an increased profile in the community and a consumer advisory council.
- The continuing need for community education in relation to energy use and the need for particular categories of consumers including Indigenous people to be more informed about energy use.
- More transparent tariff disclosure by the suppliers.

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<sup>150</sup> Interview 3, Government agency, November 2005.

<sup>151</sup> Interview 19, FC, December 2005.

<sup>152</sup> Interview 22, FC, January 2006.

<sup>153</sup> Interview 22, FC, January 2006.

- Maintenance of a concessions system of assistance for low income earners as part of a broader hardship policy including provisions for handling disconnections and incapacity to pay to take pressure off emergency relief systems and brokerage funds.

An issue for one government organisation identified was the lack of public awareness and knowledge about ECPO. They flagged that in the long run, it would be better if the service was independent of government in order for it to be fully effective. As this person summed up:

...I think critically you need to have an effective dispute resolution service, which meets those criteria as independent of government. And make sure that you have consumer input into who sits on that council. That would be a big step.<sup>154</sup>

Another organisation recommended the need for collating statistics on emergency relief and charities in respect of bill payments:

...what we know is emergency relief organisations are regularly asked for help in relation to utilities bills. So I think it's pretty high on the list, you know clothing, food, utilities, housing, education probably and health, would be really high on the list.<sup>155</sup>

Financial counsellors made the following recommendations:

- Accessible information for consumers about electricity use and reading the bill.
- Educational information on managing bill payments effectively.
- Better mechanisms for handling of consumer issues in relation to their capacity to pay the bill by the supplier/retailer.
- Information on reminder notices indicating that if customers are having trouble paying their bills to contact a financial counsellor.
- Vouchers to assist clients in need.
- Doing away with air conditioners being sold by the retailer and this item being placed on the same bill as the electricity bill.

### ***Post-FRC Reforms***

The identification of a robust external, independent complaints handling mechanisms was identified as necessary by both community service organisations and financial counsellors in pre and post-FRC environments. In respect of FRC one advocate pointed out because consumers were likely to "...be a bit vulnerable in those [retail] transactions ...people need to be guaranteed that they're no worse off and they need to have access to appeals and complaints mechanisms."<sup>156</sup>

Specific recommendations that financial counsellors made included:

- Community education about FRC and the impending changes and improved consumer awareness about the nature of contracts they were entering.
- Ensuring transparency of contracts.

<sup>154</sup> Interview 3, Government agency, November 2005.

<sup>155</sup> Interview 29, Peak welfare body, May 2005.

<sup>156</sup> Interview 29, Welfare peak body, May 2006.

- Improved liaison between retailer and community organisations.
- Improvements in internal complaint handling by retailers.
- Improvements in negotiations between financial counsellors and retailers on behalf of clients experiencing difficulty in paying their bill.
- Comparison tools to evaluate offers.
- Consumer protection legislation including cooling off periods.

Community organisations also identified a general need for rigorous and flexible consumer protections. One organisational representative pointed out that the consumer protection arrangements needed to be ‘fluid’ growing with any problems that arose in the industry while taking into account the essential nature of electricity supply for residential users.

***Concerns about the introduction of FRC in relation to marketing and debt***

Counsellors had a number of concerns that FRC would result in an increase in:

- Customer confusion related to increased choice.
- Poor decision making due to customer ignorance.
- Poor marketing practices such as a lack of informed consent.
- Lack of transparency in contracts
- Debt increases for particular classes of customers as people moved between retailers to deal with their debt crisis.
- Reduction in basic retail service levels

Contract and debt issues are canvassed in more detail below in order highlight some of the above issues.

*Contracts and Cooling Off Provisions*

Drawing on the analogy of the opening up of the telecommunications market, financial counsellors were concerned about the nature of the contracts. One financial counsellor noted the need for proper disclosure and transparency when customers entered into new contracts.

I think there’s a real danger that people would be signing up believing that they’ll be getting a better deal. But in fact when you look at the terms and conditions they may be locked into something which is not suitable.<sup>157</sup>

One counsellor anticipated a lot of confused consumers unless the contract was in plain English fully setting out the conditions. Another counsellor envisaged an increased use of their service with customers seeking advice on contracts and the fine print “...with a view to trying to sort out a bit of a mess.”<sup>158</sup>

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<sup>157</sup> Interview 5, FC, November 2005.

<sup>158</sup> Interview 15, FC, November 2005.

### *Defaulters and Rolling Debt*

One key issue that financial counsellors singled out was accumulated debt facilitated by the way the market allowed customers to take up multiple contracts.<sup>159</sup> One counsellor made the following recommendation:

Probably to protect the supplier there needs to be a list of back debts...that's a really big issue with all services; with phone and gas and housing and stuff, that really is, that's how people survive. They just go from one supplier to the next kind...until they can't do that anymore. It's a difficult issue because being able to change supplier and actually move like that often means survival for people... down the track they are in such a mess that it all needs to be sorted out with a financial counsellor.<sup>160</sup>

This person went onto to stress the need for information and education for such consumers:

It's about changing that behaviour and that way of coping...It's a long, slow track, I guess, of educating people in life skills and I suppose you're working with people who don't necessarily have that, have those life skills or that information.<sup>161</sup>

One counsellor foresaw an increased role for counsellors to negotiate with retailers in order to manage debt accumulation in the post-FRC environment:

...if they have an outstanding account over here and they want to move over here to get a better rate, we have still got to make sure that this is cleared as well and that is paid back before.<sup>162</sup>

One Indigenous advocate noted that it was important to ensure that Indigenous customers understood the consequences of not paying.<sup>163</sup> He stressed the need for culturally appropriate consumer strategies in dealing with Indigenous people particularly given their low level of understanding of the area: "...we need to be more focussed on the needs of ensuring Aboriginal people are aware of the importance of energy..."<sup>164</sup>

### **6.3.3. Will Members Switch from the Uniform Tariff to Market Contracts?**

Most community representatives and financial counsellors said consumers would switch. As discussed above financial counsellors and community service organisations identified concerns with consumer confusion arising from the switching process. With one exception, all financial counsellors said that consumers would move onto market contracts largely because of the incentives to switch. Two financial counsellors said consumers would be tempted to switch on a cost basis and another because of disgruntlement with the incumbent. Most however pointed to marketing incentive packages – most involving marketing giveaways such as free tickets similar to what consumer advocates anticipated.

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<sup>159</sup> "...I also find that when they come into see me they've usually got five debts for five different companies with those phones." Interview 19, FC, December 2005.

<sup>160</sup> Interview 23, FC, January 2006.

<sup>161</sup> Interview 23, FC, January 2006.

<sup>162</sup> Interview 15, FC, November 2005.

<sup>163</sup> Interview 25, January 2006.

<sup>164</sup> Interview 25, Government agency, January 2006.

Counsellors identified a number of scenarios. One counsellor identified the following scenario for low and middle income earners:

They're just like captured instantly especially if the new supplier makes it easy to switch. You know if they're told, 'Listen if you come to us we'll give you \$50 off your first bill and the (sic) switch you've only got to just sign here.' Absolutely and again it's tapping in on the fact that consumers are just looking at what's in it for them especially in the short term...They're not thinking longer term, they're thinking 'Oh great save \$50. That'll help offset the rising cost of petrol' or 'They're giving me a couple of movie tickets to switch it, sounds good.'<sup>165</sup>

Another counsellor, for example, thought the 'curious' would certainly change but it was debateable whether people would change if cost savings were minimal.<sup>166</sup>

Another financial counsellor pointed out that people would be slow to switch: "They still kind of work on better the devil you know than the one you don't know. So I think until the market settles down and the bush telegraph starts working there'll be some caution around it."<sup>167</sup> This counsellor suggested that an offer of an energy audit would also be an encouragement for people to make a move as "...they're actually looking for service."<sup>168</sup>

#### **6.3.4. Level of Involvement of the Organisation and Members in Debates about Electricity Issues, the NEM and the Regulatory Framework**

Community service organisations and general financial counsellors had limited involvement in debates about electricity issues, the NEM and the regulatory framework. However, their knowledge was greater than farm financial counsellors and peak bodies in the rural sector.<sup>169</sup>

It is also clear that there is great variation across the financial counselling and community service sector in the level of involvement in electricity debates at a state and national level. Organisations were more likely to have engaged in debates and discussion if they were linked into their own national organisational network.<sup>170</sup>

For instance one peak welfare body pointed out that electricity issues were only recently placed on their agenda in contrast to inter-state colleagues:

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<sup>165</sup> Interview 5, FC, November 2005.

<sup>166</sup> Interview 22, FC, January 2006.

<sup>167</sup> Interview 14, FC, November 2005.

<sup>168</sup> Interview 14, FC, November 2005.

<sup>169</sup> The establishment of the advocacy panel funded position in the Centre for Credit and Consumer Law, the establishment of a committee to advise that position and the active work of the Queensland Consumers Association had contributed to knowledge in this sector. In addition a seminar on FRC for consumers and peak bodies was convened by the Centre for Credit and Consumer, Griffith University in August 2005 and the Queensland Consumers Association held a series of meetings with peak bodies during the FRC implementation period.

<sup>170</sup> Two community organisations specified that they had been involved in debates and discussions about electricity issues as they affected small end-users -three had not.



...the changes, the reforms to the structure of providing electricity and other utilities is only just starting to come into play in Queensland. Whereas in the other states it's arguably further down the track. So that's a definite structural reason perhaps why we aren't as far along as some of the other [interstate organisations]. But we stay abreast of what other [interstate organisations] are doing in this area and we've also started to integrate those issues into submissions that we've done quite recently.<sup>171</sup>

Financial counsellors, as members of a state-wide organisation, had some access to information through information provided to them through the Centre for Credit and Consumer Law and through their interstate colleagues. In this latter respect one financial counsellor pointed out that it was necessary to look to their interstate counterparts so that "...when the situation is introduced here in Queensland in 2007, we've got some sort of basis to work from rather than just starting from scratch."<sup>172</sup>

The state body had also been approached by the government retailer/distributor seeking to improve awareness and discussions around complaints handling and providing information on supply issues. One counsellor pointed out that there was a greater need to hear about payment arrangements rather than supply issues for their constituents:

From what we've seen there hasn't been a lot of emphasis on payment arrangements or problems with consumers being unable to pay the account...I remember one of the presentations from [the retailer/distributor] was about storm damage and trees. I think, 'Well okay that's nice – how does that help our clients who can't pay electricity.'<sup>173</sup>

### ***Timing, Priorities and Resourcing***

Lack of resources and competing priorities impacted on organisations and counsellors engagement with electricity policy issues. For instance not all organisations had electricity issues as a high priority in their organisation and this goes some way to explaining their lack of involvement in the area. One government agency did not anticipate this situation would change. A peak community organisation said they were time poor and stated that they "...could probably find out more if [they] had the time to do it."<sup>174</sup>

Another peak body noted they had become more engaged with the debate through the work of consumer advocates and suggested in future their involvement might increase. However, this person noted the structural impediment of lack of: "...funded capacity in the not for profit sector to grapple exclusively with this issue."<sup>175</sup>

One grass roots organisation had been able to pass on information about the FRC to their members through their newsletter and other forums. This group was unusually proactive and knowledgeable because of their networks with the consumer movement and their participation on

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<sup>171</sup> Interview 29, Welfare peak body, May 2006.

<sup>172</sup> Interview 15, FC, November 2005.

<sup>173</sup> Interview 5, FC, November 2005.

<sup>174</sup> Interview 26, Community organisation, January 2006.

<sup>175</sup> Interview 29, Peak welfare body, May 2006.

an electricity consumer committee.<sup>176</sup> Another advocate had experienced first-hand electricity issues as a feature of housing and hardship in Indigenous communities.

One counsellor pointed out that while the issues being discussed were important: "...it's just one of the many competing important issues that financial counsellors are dealing with like credit card over commitment campaign and lending and bankruptcy stuff."<sup>177</sup> However he went on to acknowledge that it was important to get it right. The priority in respect of electricity was getting some options around payment and,

...some dialogue happening between the government and the ombudsman and the suppliers as to what's going to be best for our consumers. But it's a real opportunity to get it right before it does come in, in Queensland to learn what's happened down in Victoria.<sup>178</sup>

As one financial counsellor found out from talking with Victorian counterparts "...Queensland is lacking in assistance. They even have assistance for the water and all those kind of things and Queensland just doesn't have that."<sup>179</sup>

The question of being time poor was integrally linked to the lack of resources. One government organisation clearly acknowledged this point:

...I think if we had an increase in hours across the board. I mean we just look at what we could necessarily do with our time. It wouldn't necessarily mean that we would all of a sudden devote great amounts of time to electricity because there's a lot of issues in the consumer protection area – electricity is just one. What my concern is, is that the problems with electricity are going to increase with greater competition. Because at the moment we've had a fairly stable market with the parameters pretty solid and people have understood them. But you know that will all change...<sup>180</sup>

In summing up the advocate noted the vital importance of resources and the 'age-old complaint' that industry was well resourced but not consumers:

... I've heard that complaint by government people saying 'You can never get consumer advocates when you want them'...And I think well you're the ones on these huge salaries and you don't even give them any...But the thing is if you want to stay ahead of those issues, you've got to do lots of work. So resourcing and education.<sup>181</sup>

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<sup>176</sup> Consumer Committee: Electricity Reform convened by the Centre for Credit and Consumer Law, Griffith University.

<sup>177</sup> Interview 5, FC, November 2005.

<sup>178</sup> Interview 5, FC, November 2005.

<sup>179</sup> Interview 10, FC, November 2005.

<sup>180</sup> Interview 3, Government agency, November 2005.

<sup>181</sup> Interview 3, Government agency, November 2005.

Another organisation pointed out that their members were so busy dealing with frontline issues for their clients such as the capacity to pay their bills it was difficult to participate in broader policy issues.<sup>182</sup>

There was however acknowledgement, on the part of counsellors of the need for more engagement at a State level with these issues. As a counsellor summed up: “I would be really keen for conversations to happen and education process and stuff to happen so that there was a sharing of knowledge and perspective and stuff like that.”<sup>183</sup> One counsellor was well aware of the need to get the so-called ‘small end of town’s’ views across to government. They suggested some form of consultative committee to “...plead the case to the Minister – I think the small end of town needs to be represented because I’m pretty certain the big end of town is represented.”<sup>184</sup>

### ***Improvements in Financial Arrangements with Retailers Regarding Disconnection***

Most counsellors advocated the need for improvements in liaison and negotiation arrangements with the retailer. One counsellor identified the need for having education sessions with suppliers/retailers in breaking down the barriers and stereotypes suppliers/retailers had in respect of particular classes of customers and their lack of flexibility in dealing with disconnections for these vulnerable customers. She advocated a “...more consultative, cooperative way of working together...”<sup>185</sup> But it was not just the suppliers/retailers that needed reviewing. As one counsellor pointed out “...we need to know more information about all this communication stuff we get and what they are, their policies and everything...”<sup>186</sup>

One counsellor noted a mismatch between the rhetoric of the supplier/retailer and disconnection:

I know that the person from [the retailer/distributor] might have said, ‘That’s okay we never disconnect’ and the client is saying no you do. I’ve seen it done. So it’s really that sort of stuff which we would be most concerned about.<sup>187</sup>

They went on to discuss their own strategy of dealing with retailers/distributors:

So basically, if you stick around like a cattle dog biting someone on the heels, just keep going, you eventually get a result but it takes a while. I’ve had issues go for 12 months trying to get an outcome.<sup>188</sup>

### ***Consumer Involvement***

Both community organisations and counsellors were emphatic about the lack of involvement and interest of residential users in discussions or debates about electricity issues. As one advocate

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<sup>182</sup> Interview 29, Peak welfare body, May 2006.

<sup>183</sup> Interview 23, FC, January 2006.

<sup>184</sup> Interview 22, FC, January 2006

<sup>185</sup> Interview 23, FC, January 2006.

<sup>186</sup> Interview 10, FC, November 2005.

<sup>187</sup> Interview 5, FC, November 2005.

<sup>188</sup> Interview 22, FC, January 2006.

bluntly stated: "...you'd ask any consumer what they understood about the electricity market – I don't think you'd get a straight answer."<sup>189</sup>

As mentioned earlier a lack of consumer involvement also reflected the inability of consumers to advocate on their own behalf. As one counsellor summed up:

...I don't think most of the people I work with would even think about being able to participate in any kind of debate or discussion. I think that the major reason that they don't is that fear, fear, shame, they feel humiliated, panic. They either see themselves in a powerless position or they are in a powerless position...So you have that power imbalance which is certainly not a positive way to engage in any debate or discussion.<sup>190</sup>

Another counsellor pointed out that their clients were more likely to be focussed on the immediate concerns of managing their income:

I think their main concern would be how can I limit my outgoings and if that means moving from one provider to another so I can get a cheaper tariff or a lesser weekly charge, well they would certainly do it.<sup>191</sup>

## **6.4. Dealing with Quality and Reliability of Supply Issues: Regional Electricity Councils and Peak Business Groups**

Regional Electricity Councils (RECs) and peak business groups share a focus on supply related issues that reflects their regional focus and priorities. Interviews were conducted with four REC Chairs, two peak small business bodies and one local Chamber of Commerce.

### **6.4.1. How Often do Members Raise Issues about Electricity matters? Which are the Most Important Issues?**

As part of their overall mandate RECs received frequent feedback on electricity issues from consumers in their area. In contrast to the RECs the peak business organisations did not identify any outstanding electricity issues on behalf of their small business membership. What the RECs and small business shared in common however, was a concern with the quality and reliability of power supply. For RECs this was part of a larger concern about the capacity of the network to support growth in demand.

#### ***Business Issues***

Ongoing issues identified by peak business bodies specific to their members included:

- The imposition of the ambulance levy on the power bill
- The calculation of energy bills for businesses in large shopping centres.

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<sup>189</sup> Interview 3, Government agency, November 2005.

<sup>190</sup> Interview 23, FC, January 2006.

<sup>191</sup> Interview 15, FC, November 2005.

Both advocates complained about the tying of the ambulance levy to the power bill and the impact of this cost to small business particularly where there was more than one dwelling (and therefore more than one power bill) associated with the business. This was an ongoing issue rather than an issue at the forefront. As one advocate pointed out, the ambulance levy "...was a significant issue, probably still is, but no one's complaining about it at the moment."<sup>192</sup>

One peak body identified an issue for small businesses in embedded networks such as shopping centres where retailers paid their power directly to the owner of the premises rather than the energy retailer. They queried whether any savings the shopping centre owners made on bulk electricity purchases were passed on to the retailer-occupant and whether small business tenants were in any position to negotiate about the price they paid for their electricity in these circumstances.<sup>193</sup>

For small business power outages were identified as an issue particularly where they impacted on businesses with perishable products. A related issue was the lack of adequate compensation for the loss. As one advocate summed up: "for what it's worth, the money that is available doesn't reflect the commercial outage that the retailer has."<sup>194</sup>

Another issue that was identified was power quality and the cumulative cost of the long term impacts of brown outs on equipment: "...fragile point of sale equipment that are running delicate processes and delicate power supplies, if they get a brown out it can trip the system out."<sup>195</sup> The advocate pointed out that brown outs "were ...an insidious sort of thing that just eat (sic) away at their equipment and instead of getting 10 years out of a freezer they might only get seven, that's all."<sup>196</sup>

The local chamber of commerce raised a similar issue. The Chamber representative described continuing black outs and brown outs attributed to the age of the electricity grid in their local area.<sup>197</sup> This person noted the impact of brown outs on information storage and overall noted the:

...inconvenience and potential loss of time and information. Most people just want the constant of having the business running normally rather than going and seeking any necessary compensation.<sup>198</sup>

### ***REC Issues***

Not surprisingly RECs had much more to say about electricity matters raised by consumers than peak business bodies. They dealt with complaints often requiring a practical or technical response about transmission, distribution and connection— and the more mundane complaints about tree maintenance. In other words RECs dealt largely with a range of supply-related issues that required

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<sup>192</sup> Interview 4, Peak business body, November 2005.

<sup>193</sup> Presumably this suggestion would work both ways. If higher prices occurred in the bulk-buy this cost would also be passed on. However, this scenario was not raised by the advocate. The local Chamber of Commerce did raise the issue of the need to ensure that the right rate is being charged commercially to business tenants.

<sup>194</sup> Interview 11, Peak business body, November 2005.

<sup>195</sup> Interview 11, Peak business body, November 2005.

<sup>196</sup> Interview 11, Peak business body, November 2005.

<sup>197</sup> A number of participants in the low income focus group also highlighted power outages as an issue.

<sup>198</sup> Interview 24, Chamber of Commerce, January 2006.

strategic responses and problem solving. This included close liaison with the distributor and pragmatic solutions.

It is apparent that RECs, with their focus on supply, have a different orientation to that of community advocates. One example of this is the different view point between the two groups about the merits of the government owned retailer/distributor selling air conditioning. Interviews revealed that the community advocate was focussed on hardship issues while the REC Chair focussed on demand management and competition issues.<sup>199</sup>

Complaints received by individual RECs included:

- Lack of capacity in the network
- Length of time taken to complete infrastructure improvements
- Disputes over overhead lines or transformers being put through peoples property
- Costs in relation to a new connection
- Tree maintenance.

There were, however, other supply issues that were not so straightforward for RECs to solve.

...we had repeated outages and people would go to the junction box and transformer and would see where it went. But the power stopped because this transformer had blown again and it took months and months and months and months to work out that there was a dam about two and a half kilometres down from the transformer. Plenty of fish in the dam; plenty of pelicans. When the pelicans took off, they flew into the wires. Once we diverted the line of flight of the pelicans, no more problems. Now that was quite a vexation because nobody knew why and you certainly don't expect it do you.<sup>200</sup>

### ***Limited Capacity of the Network***

The lack of capacity of the network to support increased usage particularly in regional areas was identified by the REC Chairs particularly in relation to the 'tremendous' number of SWER lines supporting an ever increasing load. As one Chair pointed out the system of establishing SWER lines had worked in the past when demand was much more modest:

...it was great in the old days, they just whacked a SWER line in and away you went. But now everyone including graziers want air conditioning and you've got a big problem, and we've got a big problem here.<sup>201</sup>

Supply issues were not the only an issue for rural Queensland. A metropolitan REC member identified the lack of ongoing maintenance of transformers in the city as an issue. He described the

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<sup>199</sup> The community advocate felt it was very poor practice to sell air conditioning to people who could not afford it, while one of the REC Chairs was concerned that it indicated poor demand management because it increased the load on the network unnecessarily. In addition the government owned retailer had an unfair selling advantage over private businesses.

<sup>200</sup> Interview 6, REC, November 2005.

<sup>201</sup> Interview 12, REC, November 2005.

need for "... a tremendous upgrade of the low voltage system..." in the SE corner particularly in relation to transformers which were forty to fifty years old.<sup>202</sup>

#### **6.4.2. What Regulatory Reforms and Non-Regulatory Reforms are Necessary at this Time and with the Introduction of Further Regulatory Changes Including Full Retail Competition in Queensland?**

RECs generally speaking did not offer specific recommendations for reform. Their main focus was on problem solving in relation to the issues raised with them and the need for capital expenditure and improvements in the network to cope with increased load. Similarly the business organisations also stressed the need for improvements in the network along with reforms specifically relevant to their membership. They recommended:

- Improved power supply and reliability including increased generation capacity in North Queensland
- Improvements in the network particularly in relation to aging power grids in SE Queensland
- The passing of any savings in bulk power purchases to retail customers in shopping centres
- A system of better compensation for outages where compensation matched the actual outage cost.

In terms of post-FRC reforms both groups were limited in their responses partly due to a lack of knowledge about what reforms might be needed (small business) and the fact that it was not a rural and regional issue (REC Chairs). In this latter respect REC Chairs considered that FRC would have little or no impact on their constituency because of where they were located in regional Queensland and the consequent lack of contestability. However a number of Chairs were concerned about the flow on effect of FRC on electricity price subsidies for regional Queenslanders and the tariff structure.

One REC described how the introduction of FRC would create greater uncertainty for users. He had read the cost-benefit analysis on the introduction of FRC and did not believe the report had given the whole picture in terms of potential changes to the uniform tariff arrangements.<sup>203</sup> Two RECs wondered if higher prices would result for residential users. As one Chair described:

...over time if you've got all the people on market tariff in one area and then all the people who you can't provide a cheaper product to and are still on the standard tariff, the system falls over. And the people in the country end up paying more.<sup>204</sup>

One peak business body advocate had similar concerns about the impact of deregulation on price of electricity. He suggested that there was a level of cynicism in the organisation and among the membership about any benefits promoted by the government about privatisation particularly where there were ongoing concerns about the network and its ability to meet the growth in demand Queensland. As he summed up:

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<sup>202</sup> Interview 12, REC, November 2005.

<sup>203</sup> GHD (Consultants) (2005) *Report to Queensland Treasury Full Retail Competition: Cost Benefit Analysis Report*, Brisbane.

<sup>204</sup> Interview 26, Community organisation, January 2006.

We rely on government bodies, we rely on the experts to provide that sort of stability to do that...We have relied on a government as a custodian of our future to put in place the necessary infrastructure and it is evident that...in the past that there has been insufficient consideration given to infrastructure development.<sup>205</sup>

### ***The Need for More Community Education and Consumer Protection***

Two REC Chairs identified the need for consumer protection strategies to address the introduction of FRC. One Chair recommended the need for sufficient consumer information on retail choices, the dangers of misleading advertising and the necessity for the government to consult on the proposed changes. This Chair pointed out that a lack of knowledge amongst ordinary consumers put them in a vulnerable position: “The small consumer does not know what he’s going to be in for. I’m sorry to say that but he does not understand it. That needs to be addressed.”<sup>206</sup>

The Chamber of Commerce advocate identified the need for early community education in addressing the impending changes. This person identified an information gap in identifying the new pricing regime. She asked “...what will happen to our charges and who do we ask?” As she summed up – competition can also bring complexity: “But competition, although it’s extremely good, can be very confusing, to many people. I think the mobile phone industry is a classic case of that.”<sup>207</sup>

Similarly one business advocate identified issues in relation customer disputes and how they would be properly settled if the retailer and distributor were involved. As he summed up:

...if someone rings up and there’s a problem they’ll end up chasing their tail because the retailer will say well don’t talk to me, talk to the distributor. And the distributor will say don’t talk to me, talk to the retailer.<sup>208</sup>

The most important issue arising out of the introduction of FRC for this advocate was:

- The guarantee of supply and what the obligations of supply will be.
- Ensuring there was a level of awareness among small end-users about what to expect.
- Whether there would be an increased risk for small end-users getting exploited by retailers.

### **6.4.3. Will Members Switch from the Uniform Tariff to Market Contracts?**

REC Chairs and Advocates found it difficult to predict the switching behaviour of consumers once FRC was introduced. As one business advocate summed up: “I think that’s a very difficult question to answer until we know closer to the time more detail as to what are going to be the advantages.”<sup>209</sup>

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<sup>205</sup> Interview 11, Peak business body, November 2005.

<sup>206</sup> Interview 21, REC, January 2006.

<sup>207</sup> Interview 24, Local Chamber of Commerce, January 2006.

<sup>208</sup> Interview 4, Peak business body, November 2005.

<sup>209</sup> Interview 11, Peak business body, November 2005.



Two REC Chairs said people would be reluctant to move; one REC Chair said it would depend on where people were located whether they would switch and another REC Chair said that manufacturers would definitely switch but not necessarily householders. Similarly a business advocate anticipated that larger businesses would switch but not necessarily small business such as "...the small corner store, the single fashion retailer..." who would not necessarily "...get any great benefit out of this whole deal. I think they'll probably just stay where they are."<sup>210</sup>

One REC Chair said that people not involved in business would simply not be interested "...they just want to pay the bill and be done with it."<sup>211</sup>

At the time of interview one business advocate suggested there was a low interest in the membership in switching. He outlined the results of a survey in 2003 with members which indicated that only 17% of members thought it was extremely important to have choice in relation to purchasing electricity while 38% said it was somewhat important and 39% not important at all. He acknowledged that although the support for choice was not 'overwhelming' he anticipated that "...over time people will take it up. Particularly if we get some retailers active in that market."<sup>212</sup>

The second business advocate advised caution before choosing. He summed up:

Anyone that says I'll be jumping into the deregulated market without doing anything is quite frankly, with all due respect, a fool. Unless they have prior exposure or prior experience they wouldn't have an appreciation of what's involved.<sup>213</sup>

The Chamber of Commerce advocate anticipated switching if businesses could see "...there's a commercial benefit and if they understand what the pros and cons are."<sup>214</sup>

One business advocate anticipated a level of customer inertia if switching involved lots of effort – in order to make an informed choice such as onerous administrative requirements in switching.<sup>215</sup> In summing up he said "the factors will be there's got to be a price difference and low transaction costs" but that in the future, as a result of FRC, there would be a lot more activity.<sup>216</sup>

He also pointed out that FRC would only apply to SE Queensland and would not work in the northern parts of the State. He also thought that the change to the existing tariff structure was a blunt instrument to manage demand "...a better way would have been using smart metering and variable pricing."<sup>217</sup>

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<sup>210</sup> Interview 11, Peak business body, November 2005.

<sup>211</sup> Interview 7, REC, November 2005.

<sup>212</sup> Interview 4, Peak business body, November 2005.

<sup>213</sup> Interview 11, Peak business body, November 2005.

<sup>214</sup> Interview 24, Local Chamber of Commerce, January 2006.

<sup>215</sup> Interview 4, Peak business body, November 2005.

<sup>216</sup> Interview 4, Peak business body, November 2005.

<sup>217</sup> Interview 4, Peak business body, November 2005.

#### 6.4.4. Level of Involvement of the Organisation and Members in Debates about the NEM and the Regulatory Framework

There were varying levels of engagement in debates and discussions about the regulatory framework and energy issues. All RECs have, as a consequence of their role, been involved in discussions about electricity issues at a State and regional level. All Chairs were aware of the NEM and how it operated but had not been involved in discussions at a national level.

Peak business were involved in policy debates about energy matters at State level and to a limited extent at the National level but described their participation as reactive and issues driven. Business advocates said their organisations were only likely to be involved at a state level if FRC stimulated queries from members. Similarly RECs said that if there were problem consumers would get involved in discussions.

One peak business body advocate had been involved to date in debates about the NEM through their national commerce and industry affiliations. In addition he had pursued state issues through liaison with the distributors but pointed out that "...it's probably a greater investment in time than is warranted given the calls I get."<sup>218</sup> In other words this was not an issue dictated by members — conversely this advocate pointed out that members did not necessarily recognise the importance of the issue.

The second advocate had discussions about the changing national framework internally and anticipated further activity if their national affiliates were looking at the possibility of aggregation.

While RECs had little or no involvement in Queensland discussions about the NEM, some discussions about the impacts of the NEM had arisen recently as a result of the recent sale of the retail arm and the recent proposal to introduce FRC. Two RECs expressed concerns about the benefits of the NEM and one openly stated that he did not agree with the principles behind it: "...I think we're better off where we are."<sup>219</sup>

RECs local and state level participation in energy matters was more robust although as previously discussed largely confined to supply and transmission issues rather than retail issues. As Chairs pointed out the structure of their committees meant they had direct contact with senior management of the retailers/distributors and at the highest level direct Ministerial contact. As one REC summed up:

...I think groups like our own are fairly important. We make a report after each meeting direct to the minister...we report to the minister and have access to the director of operations and that then gives an empowerment to the people...<sup>220</sup>

RECs had other priorities than the NEM. As one Chair pointed out:

...there's so many people outside the main cities, out in the bush that are still not connected to the grids. We're involved in these things all the time. And it's a continuing

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<sup>218</sup> Interview 24, Local Chamber of Commerce, January 2006.

<sup>219</sup> Interview 12, REC, November 2005.

<sup>220</sup> Interview 6, REC, November 2005.

battle that we get some wins and we try and look for fair play of course. And generally we do get it; the industry is very, very fair with us. What they can't do is put north SWER lines out...<sup>221</sup>

## **6.5. Dealing with Rural Issues: Peak Farming Bodies and Farm Financial Counsellors**

This section focuses specifically on rural issues although many of these issues are similar to those outlined by the RECs in the previous section. In this section more detail is provided on the farming sector as a result of interviews with farm financial counsellors and farm advocates.

Five rural advocates were interviewed – three from peak pastoral and agricultural bodies and two government farm financial counsellors.<sup>222</sup> The other two peak body representatives were policy advocates within their organisation. Like the RECs, the focus of these rural and regional advocates was mostly on supply.

The differences in the responses between the groups reflects two key differences:

- Differences between policy advocates and financial counselling services.<sup>223</sup>
- Differences in industry orientation which is also reflected in the different emphasis on energy use in the sector. For instance intensive agriculture requires significant irrigation which the pastoral industry does not.

### **6.5.1. How Often do Members Raise Issues about Electricity Matters? Which are the Most Important Issues?**

Peak body advocates received generic information about electricity matters from their members. The level of complaint ranged from intermittent to regular. As one advocate pointed out it depended on location as to the frequency of complaints.

Within the organisation it's fairly regular and it depends upon the nature of the complaint. Like some offices have said that they would get an average of three enquiries a fortnight about issues.<sup>224</sup>

Location and industry type were key factors in identifying the nature of the issue. For instance on the coastal areas one counsellor noted that the issues were more about the cost of running electricity to different parts of the property. As this counsellor clearly identified electricity issues depended on where people were located and what industry they were in:

If you think about the grazing industries, if you think about the wool industry, their requirement is to have reliable electricity to their shearing shed. With the cattle industry it's

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<sup>221</sup> Interview 9, REC, November 2005.

<sup>222</sup> One representative from the peak body had previously worked as a farm financial counsellor.

<sup>223</sup> As discussed previously financial counsellors are often in the front line dealing with client issues. In contrast policy officers deal with more generic issues arising from membership feedback.

<sup>224</sup> Interview 28, agricultural peak body, January 2006.

not such a drama, although, as technology changes more and more people require more and more electricity outlets remote from the house.

If you talk about coastal regions in horticultural areas, they are massive users of electricity, simply because they have to run cold rooms, elaborate packing sheds, elaborate sorting machinery etc. that's all electricity driven. If you look at the cane industry...which is fully irrigated sugar cane production, most of those farmers are going to have a bill under \$10,000 a year. But electricity is utterly important to them, a lot of them, that's how they move the water around.<sup>225</sup>

Complaints received by peak bodies included concern about the quality and reliability of power in relation to:

- Single wire earth return (SWER) lines
- Remote area power systems
- Pumps
- Cost of connection.

The farm financial counsellors identified connection costs and supply issues as the main issue although it was also recognised as a generic issue for all consumers. As one counsellor summed up "... electricity isn't really something that comes up very often. In most cases the primary produces regards it exactly as someone living in town would. It's just an essential service."<sup>226</sup>

One counsellor identified electricity costs as "big issues for people" particularly in the context of the budget where electricity was a fixed cost. More significant was the "massive issue" of the cost of connection.<sup>227</sup>

One financial counsellor also identified service issues.

They [farmers] all complain about being unable to get in contact with their electricity supplier and getting a good, quick response from them...and they would like more personalised service. They'd like to be able to talk to one person and they can't.<sup>228</sup>

### **6.5.2. What Regulatory Reforms and Non-Regulatory Reforms are Necessary at this Time and with the Introduction of Further Regulatory Changes including Full Retail Competition in Queensland?**

The peak bodies were more focussed on reliability issues while farm financial counsellors were focussed on the potential benefits of FRC for farmers.

#### ***Connecting to the Grid***

The central objective for one peak body was the connection of all isolated members to mains electricity and improvements in supply on the SWER network. He advocated for the following:

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<sup>225</sup> Interview 8, farm financial counsellor November 2005.

<sup>226</sup> Interview 17, Farm Financial Counsellor, December 2005.

<sup>227</sup> Interview 17, Farm Financial Counsellor, December 2005.

<sup>228</sup> Interview 16, Farm Financial Counsellor, December 2005.

- The need for continuing government price subsidies and infrastructure support of the remote area network including the Remote Area Power Supply (RAPS). He described the RAPS system as "...a great idea and it works well but the poor old consumer can't afford to sort of keep charging those batteries."<sup>229</sup>
- The need for "...guaranteed electricity. At the moment the SWERs and RAPS they don't have that."<sup>230</sup> He stressed that this was the most pressing issue – the need for a consistent supply of power whether a client was on the SWER line or on the RAPS and not to have to rely continually on expensive diesel generation for lengthy periods of time when power was not available. The overloading of the network and the need to deal appropriately with this issue. As he pointed out "...now everyone including graziers want air conditioning."<sup>231</sup>

The other peak body advocate focussed on the need for more flexibility in the location of power lines and, in particular, increased and local generation sources of power for growers. One farm financial counsellors concurred with the need for improved infrastructure – for instance the need for delivery of power into remote properties and more forward planning about the location of power sites on properties.<sup>232</sup>

### ***FRC Reforms***

Advocates wondered what the price benefits of FRC would be for their constituents and who would be eligible for it? One peak body predicted the need for closer scrutiny of FRC to see if there were clear price benefits for growers: "...we would want to fully examine [FRC] because anything to assist the growers to see more competitive electricity prices has got to be pursued vigorously."<sup>233</sup>

Like the RECs most farm financial counsellors stated that they did not consider competition an issue for their clients in regional, remote or isolated location as competition would be focussed in the city. The exception was horticultural industries in South-East Queensland.<sup>234</sup>

One of the farm financial counsellor's did identify a secondary risk for rural and regional customers with FRC that there would potentially be a change to the flat rate of connections and cross-subsidies with companies seeking full recovery of costs. He stressed the need for maintenance of equivalent prices everywhere no matter what location people were in. He saw the need for "...a bit of a concerted attempt by the electricity generating industry to explain how you can access these tariff things..."<sup>235</sup> and what options there were for people to sell their electricity back to the grid. He suggested the need for an 'extension' officer who could explain these issues and processes at meetings.<sup>236</sup>

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<sup>229</sup> Interview 13, Peak farm body, November 2005.

<sup>230</sup> Interview 13, Peak farm body, November 2005.

<sup>231</sup> Interview 12, REC, November 2005.

<sup>232</sup> Interview 8, farm financial counsellor November 2005.

<sup>233</sup> Interview 28, Peak farm body, February 2006.

<sup>234</sup> Interview 8, FFC, November 2005.

<sup>235</sup> Interview 17, farm financial counsellor, December 2005.

<sup>236</sup> Interview 17, farm financial counsellor, December 2005.

In respect of consumer protection one farm financial counsellor recommended the establishment of an ombudsman scheme to address the feeling of powerlessness people experienced in dealing with issues: "...now people feel very powerless, and they're concerned that yes, competition may give us "better connections, times, cheaper electricity. However, that's fine. What if something goes wrong? Who can we talk to?"<sup>237</sup> With the introduction of FRC he also identified the need for people to have a point of contact in the new organisational environment: "And that's what worries them about the current changes; it's going to get more bureaucratic and bigger, and everything else."<sup>238</sup>

### 6.5.3. Will Members Switch from the Uniform Tariff to Market Contracts?

Only one organisation definitively answered this question as other organisations and farm financial counsellors were more inclined to talk about the indirect impacts of the change on their region. Also, most advocates said that it was too early to comment without further information.

One peak body advocate unequivocally stated that their members would definitely consider switching: "...where that is available the smart farmers will certainly be right into that, absolutely."<sup>239</sup>

One farm financial counsellor surmised that FRC would not necessarily directly impact on their clients. However, where there was clear financial advantage for specific agricultural industries there would be switching "...because they do like the idea of being able to go and negotiate their power usage."<sup>240</sup>

This farm financial counsellor said that with FRC he would like to see more competition in the delivery and connection to supply area and the need for flexibility of contracts so that people were not locked into periods of high power prices. He made a novel recommendation for a reciprocal power arrangement whereby if supply was not available then payment for fixed fees of the power bill should not be made.<sup>241</sup>

One farm financial counsellor was unsure about whether people were aware of the impending change and he was circumspect about the benefits of deregulation.

...anything that has been deregulated, from my experience, has resulted in a bigger mess and this is just another form of deregulation and there's certainly people that pay the price and usually it's the ones with the – like regional Australia, I see as the losers in this. I don't really expect they'll be protected. Once it becomes, what is it, full retail contestability.<sup>242</sup>

...who's really going to be concerned about supplying electricity way out further west where the costs are higher in connections and maintaining the line and things like that? I don't like the idea of deregulating these things. They should just be maintained as a state

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<sup>237</sup> Interview 16, FFC, December 2005.

<sup>238</sup> Interview 16, FFC, December 2005.

<sup>239</sup> Interview 13, Peak farming body advocate, November 2005.

<sup>240</sup> Interview 16, FFC, December 2005.

<sup>241</sup> Interview 16, FFC, December 2005.

<sup>242</sup> Interview 17, FFC, December 2005.

wide thing because the benefits of having industry in all these areas certainly flows back to the economy. But through this sort of thing it becomes unattractive to live and set up a business out there, well the economy loses.<sup>243</sup>

#### **6.5.4. Level of Involvement of the Organisation and Members in Debates about the NEM and the Regulatory Framework**

Both peak body advocates had been involved in discussions about electricity at the state level but not at the national level. They both considered they had good relationships with the rural and regional supplier and retailer. Two changes required for them to participate in discussions were nominated:

- Being informed of changes possibly through the Department of Energy or their national body
- A change in electricity retail and supply coverage for their members eg a NSW retailer offering a contract to a Queensland farmer.

One advocate pointed out that lack of involvement was due to a lack of time and resources and that their members were already overstretched serving on many different committees: “I think they’ve got about 10 hats in the back of the car.”<sup>244</sup> The other advocate pointed out that individual members relied on their peak bodies for participation. This was exemplified recently by the ‘Blueprint for the Bush’ consultation process involving the Queensland government, Agforce Queensland and the Local Government Association of Queensland. This consultation enabled regional communities to funnel a whole range of concerns to Government including electricity matters. The electricity concerns that these communities identified were:

- The need for upgraded electricity generation and distribution facilities.
- Lack of maintenance of existing infrastructure.
- Ineffective solar-powered remote area power systems.<sup>245</sup>

Similarly one farm financial counsellor pointed out that clients usually spoke through their grower organisation although he noted that some specific intensive horticultural and fruit industries would be much more affected by electricity issues and therefore these issues would be picked up by other farm financial counsellors in these areas.

Both advocates noted the ongoing need to have good working relationships with electricity suppliers and the need for their organisation to be recognised as a stakeholder in this issue.

No farm financial counsellor had been involved in discussions and debates about the NEM and the regulatory framework – nor in their experience had their clients. One farm financial counsellor noted that clients only noticed electricity issues when they had a voltage drop or their irrigation

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<sup>243</sup> Interview 17, FFC, December 2005.

<sup>244</sup> Interview 13, Peak farming body advocate, November 2005.

<sup>245</sup> Queensland Government, Local Government Association of Queensland, Agforce Queensland (2006) Blueprint for the Bush Building a sustainable, liveable and prosperous rural Queensland; Queensland Government, Local Government Association of Queensland, Agforce Queensland (2005) Blueprint for the Bush Consultation Report Phase 1, p.17.

pumps went out. However clients were concerned about the price and whether the infrastructure would be sufficiently maintained for supply purposes. Another farm financial counsellor envisaged debates becoming more active if power costs rose significantly. He said changes in supply and price would be the drivers.

### 6.5.5. Off the Grid: Specific Remote Rural Issues

An issue raised by three advocates (and some REC Chairs) was the concern with the lack of access of particular consumers to grid power and/or the lack of access to an electricity supply and service equivalent to those on grid power. These consumers relied on diesel generators or a combination of solar and diesel generation which were expensive to run and not necessarily reliable sources of generation.<sup>246</sup>

One peak agricultural body advocated access to the grid for all consumers.<sup>247</sup> In contrast the environmental advocate considered that access to the grid power was not the issue per se but rather the access to an equivalent service. They disputed whether grid power connection was the solution to this issue.<sup>248</sup>

Feelings among those who could not access grid power have periodically run high. The REC Chair mentioned above gave the example of a grass roots women's lobby group who were fighting to go on the grid:

...out west who called themselves Women for Power or Power for Women...They used to follow our meetings and gatecrash them. But we had a lot of sympathy with them. They were people who didn't have electricity supplied to them...<sup>249</sup>

One local government member who was interviewed also identified this as an ongoing issue: "It's just so unfair that people are not considered worth providing the same sort of services that are provided everywhere else because they're not going to make a bob out of it."<sup>250</sup>

In summary, the local government representative had two requests in relation to electricity supplies in their local government area:

- To be linked into the grid
- To have access to renewable energy.

Perhaps this view reflects the ideal – of being linked into the grid and therefore being in receipt of a continuous supply of power or having access to alternative sources of energy that would result in an equivalent service.

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<sup>246</sup> Interview 9, REC, November 2005.

<sup>247</sup> Interview 13, November 2005, Interview 7, Local Government, November 2005.

<sup>248</sup> Interview 18, Environmental Advocate, December 2005.

<sup>249</sup> Interview 9, REC, November 2005.

<sup>250</sup> Interview 7, Local Government, November 2005.



# Conclusion

Consumer protection recommendations made by residential users and advocates interviewed for this research project have anticipated some of the recent changes in legislation and regulations in the electricity market in Queensland. Recommendations such as the establishment of an Independent Energy Ombudsman, an energy marketing code and standard contract have been implemented by the Queensland Government following consultation with stakeholders including, for the first time, residential user consumer advocates.

This qualitative research report indicates that consumers have both fundamental needs in respect of electricity and diverse responses to the issues put before them. On the one hand electricity is clearly identified as an essential service but for most it is not necessarily a priority because it is relatively reliable and the cost is acceptable at the current time. The exceptions to this rule are:

- Low income and vulnerable categories of consumers who struggle to pay their bills and face potential disconnection.
- Consumers who face challenges in obtaining reliable power (those on SWER lines or those not on grid power).

Most participants in this research had little or no knowledge about the electricity retail and supply sector or the broader regulatory framework in which it operated. Consumer advocates, the environmental advocate and Regional Electricity Council Chairs were the exception. Furthermore, most participants had little or no knowledge about the impending introduction of FRC.

Core themes emerged in focus groups and interviews.

- Electricity was rated highly as an essential service but not necessarily given priority as an essential service.
- There was little or no involvement in debates about electricity issues, the NEM or regulatory framework generally.
- There was a lack of extensive knowledge among small end-users about electricity issues in relation to retail and supply matters.
- There was uncertainty and caution about the impacts of FRC including increased exposure to market risk and poor marketing conduct.
- There was little or no knowledge of the energy complaints body ECPO.
- There was an interest among certain classes of consumers with environmental and sustainability issues.

Small end-users expect and want a guaranteed level of service in respect of electricity, a government that provides a consumer protection framework, and a broader social policy framework to assist with issues that arise out of service delivery. All research participants made key recommendations for improvements in electricity retail and/or supply matters.

- The common recommendation made by the majority of research participants was the establishment of an effective independent complaints body.

Other key recommendations included:

- More resources for energy specific advocates and peak welfare bodies to participate in NEM and related policy debates and discussions.
- The implementation of specific consumer protections including:
  - Effective retail and marketing codes; and
  - Standard, flexible and transparent contracts with cooling-off provisions.
- Improved safety net and concessions framework for vulnerable customers including:
  - An expanded concessions and energy relief system; and
  - Improvements in internal dispute resolution mechanisms and negotiation of payment plans with energy retailers.
- Community education programs in relation to:
  - FRC;
  - Conservation of energy; and
  - Financial management in relation to bill payment for customers who are having difficulty paying their bills.
- The offering of green energy options to residential users by electricity retailers.
- Maintenance of uniform tariff throughout Queensland.
- Improvements in quality and reliability of supply and service quality for those on SWER and those not on grid power.

Residential users, small businesses and farmers want to know that their power will stay on and that the relevant expertise and infrastructure is in place. They want a reliable source of electricity delivered at a reasonable price. However, when a competitive framework is introduced other factors come into play. The potential impacts of FRC are not clear to most residential users who participated in this research. They could only predict the possible impact of FRC based on their experience with the introduction of contestability in the telecommunications market.

Overall there was uncertainty about the benefits of FRC for residential users in both metropolitan and regional areas. While there is uncertainty for small end-users there is also the promise by Government of the purported benefits of competition, such as increased choice and cheaper prices. Residential users and advocates are uncertain that these benefits will be realised. Rural and regional Queenslanders have concerns about the flow-on effects to their own power bill if there are changes to the uniform tariff system as a result of FRC.

Will the new consumer protection framework for small end-users be sufficient in the new FRC environment? Interstate experience suggests that further changes will inevitably have to be made. In Queensland, as elsewhere, it will be a challenge to find the right balance between regulation and competition that delivers net benefits to consumers. Moreover, the dispersed nature of the Queensland energy network, the specific needs of vulnerable and rural consumers, and the changing environmental landscape underscore the importance of getting the right consumer framework in place. At the very least this study establishes a starting point for further discussions on electricity needs for Queensland consumers at a critical time in the development of the National Energy Market in Queensland.

# APPENDIX 1

## Proposed Discussion Topics: End-User Focus Groups

### Centre for Credit and Consumer Law, Griffith University

Research Project: Implication for small end-users of Queensland's further integration into the National Electricity Market 2005

**Background:** *The retail supply of electricity and its regulation in Queensland are about to change significantly. Queensland is part of the National Electricity Market, and this means the government has obligations in relation to nationally consistent arrangements for generation, transmission, distribution and retail supply.*

In this focus group, we want to explore some of the issues that ordinary consumers / small businesses think are important in examining electricity; what are the needs of consumers / small businesses in a changing regulatory environment; and whether/how consumers / small businesses can or should participate in the electricity market.

#### Discussion topics:

1. *What do you think ordinary people know about the electricity industry and the regulatory arrangements? Do you know of the National Electricity Market? Why / why not? Do you need to know about the details of the electricity industry and regulatory arrangements?*
- 1b) What if these changes affect the conditions under which electricity is supplied to households and businesses – i.e. price, quality, safety, reliability of supply, disconnections and reconnections, dealing with financial hardship, environmental considerations / green energy, complaints handling processes, etc? Of all of these issues we've discussed, which issues do you think are the most important for consumers / small businesses? Why?
2. *If regulatory changes occur, what priority should the government give to addressing the different issues? For example, should it give more attention to ensuring that prices don't rise (or don't rise too much), or to ensuring that blackouts don't occur?*
3. *One of the announced changes for the electricity market in Queensland is the introduction of full retail contestability (FRC). If FRC were to be introduced, electricity users would potentially be able to choose their preferred electricity retailer, and hence choose a market contract or regulated tariff.*

- 3a) If FRC was introduced; do you think you would take advantage of the changes to consider switching retailers? Or do you think you would be likely just to stick to your current retailer? Why?
- 3b) What concerns would you have about changing retailer (if any)? What would encourage you to change retailers? What sort of information would you want to help you make a decision about which supplier to choose? Who should be providing this information?
4. ***Complaints about electricity supply can occur, and if this happens, there needs to be a process for dealing fairly with those complaints.***
- 4a) What do you think are the most important features of a complaints process for electricity supply?
- 4b) Do you know about the current external complaints process in Queensland? What would be the best ways of letting people know about this or a similar process?
5. ***Many people think that consumers / small businesses ought to have a say in decisions about the electricity industry and electricity regulation.***
- 5a) To what extent do you think consumers / small businesses are currently involved in the processes? What do you think are the best ways of getting consumers / small businesses involved?
- 5b) What would encourage you to participate in discussions and debates about electricity issues? (For example, would you want to join a local group that meets regularly to learn about the issues, and to make submissions and comments to government?)
- 5c) What role should consumers / small business advocates play in representing the views of consumers / small businesses to governments and regulators?
7. ***Minimising our need for energy, and using energy as efficiently as possible reduce both energy costs and the environmental impact of energy use.***
- 7a) Do you know how you spend on electricity? If yes, is this amount per quarter or for another billing period?
- 7b) Are you concerned about how much you spend on electricity? If you are, have you tried to reduce your electricity usage? If yes, which of the following strategies would help you in reducing your electricity usage?
- Educational information about how to reduce electricity usage. If yes, what type of educational information would assist you.
  - Personal assistance in reducing usage in my home/small business including advice on retrofitting and appliance checks

- A meter installed in your home which could display the cost of energy you were using at any moment in time

**8. *The national electricity grid currently obtains 9% of its electricity from renewable energy sources such as sun, wind and hydro while approximately 85% of electricity generated in Australia comes from burning coal, which has been linked to the production of green house gases. The remaining 6% of our electricity comes from gas-fired generation while a small amount is oil-fired generation.***

8a) What role should consumers / small business play in renewable energy use? Do you know if any of your electricity comes from a renewable energy source?

8b) Do you want most of your electricity to come from a renewable energy source? Renewable sources of energy are currently more expensive than other sources of energy. Would you be prepared to pay more for purchasing your electricity from a renewable source? How much more?

# APPENDIX 2

## **Question Outline: End-User Advocates**

### **Centre for Credit and Consumer Law, Griffith University**

Research Project: Implications for small end-users of Queensland's further integration into the National Electricity Market 2005

1. What is your experience of electricity issues in respect of your clients / members / consumers?
2. In your role, how often do your clients / members / consumers raise issues, complaints or concerns about electricity issues to you?
  - a) What are the most common issues raised?
  - b) Of these, which issues do you think your clients / members / consumers rate as the most important issues? Why?
3. Do you provide advice or assistance in relation to the electricity issues or concerns that are raised by your clients / members / consumers?
  - a) If so, what advice or assistance can / do you provide?
4. Are there any regulatory or non-regulatory reforms that you think would assist your members / clients / consumers in respect of the issues or concerns they raise with you about electricity issues?
  - a) What would they be, and how would they assist?
5. There will be further regulatory changes for electricity in Queensland, including the introduction of full retail contestability, what are the issues that you think would need to be addressed in order to ensure adequate protection for your clients / members / consumers?
  - a) In what form should that protection take?
6. For your clients / members, where do electricity issues or concerns rate in relation to issues or concerns about other essential services (eg gas, water, telecommunications, housing, transport)?
  - a) Are electricity issues more important, less important, or about the same?

**7.** The Queensland government has announced that Full retail contestability will be introduced in Queensland in July 2007 and that uniform tariff arrangements will also be continued.

Do you think your members / clients / consumers are likely to consider moving from the uniform tariff arrangements to market contracts which are likely to be offered by existing retailers and new entrants?

a) Why / why not?

b) What factors or protections, if any, would encourage your members / clients/constituents to consider changing suppliers?

**8.** To what extent have you, in your current role, been involved in debates and discussions about electricity issues as they affect small end-users?

a) What have been the factors that have encouraged or inhibited your participation?

**9.** Have you been involved in debates and discussions about the national electricity market and the regulatory framework?

b) Why / why not?

**10.** Are there any changes that would increase the likelihood of you participating in debates and discussions about electricity issues, whether in relation to the national electricity market, or more broadly?

a) What are these, and how would they help?

**11.** To what extent are your members / clients /constituents involved in debates and discussions about electricity issues?

a) What are the factors that might encourage or discourage such participation in the future?

**12.** Do you have any other comments or suggestions about electricity issues for small end-users, and the involvement of small end-users and/or their advocates in debates and discussions about electricity issues?

# APPENDIX 3

## Information Sheet

Dear,

I'm writing from Griffith University's Centre for Credit and Consumer Law to ask whether you might be interested in participating in our research on consumer/small business issues in the electricity sector.

In our research, we are looking at the implications for small end-users of Queensland's further implementation of the principles and obligations associated with the national electricity market.

As part of the research, we will be interviewing consumer and small business advocates across Queensland, and exploring a range of issues relevant to their client or member group. The types of issues we will cover in the interviews will include:

- What are the key issues for consumers/small businesses in electricity supply? What issues have the highest priority?
- What are the regulatory or other responses needed to protect consumers / small businesses in relation to electricity supply?
- What involvement do small end-users currently have in discussions about electricity regulation and other matters? How can this be improved?

The interviews will take place in person, wherever possible. In other cases, we will conduct interviews by telephone. I expect that the interview will take approximately 1 hour.

Participation in the research is completely voluntary. Responses from interviewees will be confidential, and the research report and other information coming out of the project will not identify the individual participants in the research.

I have attached some more information about the project, and would encourage you to read this information and contact me as soon as possible if you would like to participate.

If you have any questions about the project, or the scope of the interviews, please contact me on (07) 3735 3244 or via email [j.bathgate@griffith.edu.au](mailto:j.bathgate@griffith.edu.au)

I look forward to hearing from you.

Yours sincerely



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## **Interviews**

### ***Advocates***

Interview 1, Consumer advocate, November 2005

Interview 2, Consumer advocate, October 2005

Interview 3, Government agency, November 2005

Interview 4, Peak business body, November 2005

Interview 5, Financial Counsellor, November 2005

Interview 6, Regional Electricity Council, January 2006

Interview 7, Local Government, November 2005

Interview 8, Farm Financial Counsellor, November 2005

Interview 9, Regional Electricity Council, November 2006

Interview 10, Financial Counsellor, November 2005

Interview 11, Peak business body, November 2005

Interview 12, Regional Electricity Council, November 2005

Interview 13, Peak farm body, November 2005

Interview 14, Financial Counsellor, November 2005

Interview 15, Financial Counsellor, November 2005  
Interview 16, Farm Financial Counsellor, December 2005  
Interview 17, Farm Financial Counsellor, December 2005  
Interview 18, Environmental Advocate, December 2005  
Interview 19, Financial Counsellor, December 2005  
Interview 20, Consumer advocate, January 2006  
Interview 21, Regional Electricity Council, January 2006  
Interview 22, Financial Counsellor, January 2006  
Interview 23, Financial Counsellor, January 2006  
Interview 24, Chamber of Commerce, January 2006  
Interview 25, Government agency, January 2006  
Interview 26, Community agency, January 2006  
Interview 27, Community organization, January 2006  
Interview 28, Peak agricultural body, January 2006  
Interview 29, Peak welfare body, May 2006

***Focus Groups***

Focus Group 1, Middle income, May 2006  
Focus Group 2, Low income, May 2006  
Focus Group 3, Rural and Regional, May 2006  
Focus Group 4, Retirees, May 2006

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