

14th November 2006



Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

By e-mail to: submissions@aemc.gov.au

Response to AEMC Review of the Effectiveness of Competition in the Gas and Electricity Retail Markets

The Alternative Technology Association (ATA) welcomes the opportunity to provide comment on the *Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in Victoria* First Draft Report, prepared by the Australian Energy Market Commission (the Commission).

ATA is a not-for-profit organisation established in 1980 to promote the uptake of sustainable technologies in order to protect our environment. The organisation provides service to over 4000 members who are actively promoting sustainability in their own homes by using good building design and implementing water conservation and renewable energy technologies. ATA advocates in both the government and industry arena for ease of access and continual improvement of these technologies, as well as the production and promotion of information and products needed to change the way we live.

As Australia's peak member-based organisation representing early-adopters of renewable energy systems, ATA is in a unique position to highlight the needs and concerns of small-scale renewable energy system owners and their interaction with the retail energy market.

Embedded Generators

Embedded micro-generation proponents are significantly impacted by changes in the retail market and, at present, the process of obtaining a retail contract for the grid-connection of small renewable energy systems to the grid is difficult and confusing. Information from retailers is hard to obtain, tariffs change across distribution jurisdictions, and metering arrangements are varied.

In an attempt to clarify this process and create greater certainty for micro-generation proponents, the Victorian State Government has recently introduced the *Energy Legislation Amendment Bill (2007)* which regulates the offers made by electricity retailers for the buy-back of electricity from small-scale renewable energy generators. The legislation, which comes into force on the 1st of January 2008, requires all electricity retailers to offer and publish fair and reasonable price, terms and conditions for the feed-in of electricity, with the fair and reasonable criteria determined by the Essential Services Commission.

The introduction of this legislation is a clear recognition of the failure of deregulation to provide not only an adequate price for renewable energy proponents, but also clarity of information and fair terms and conditions for these already disadvantaged consumers.

A research report published by the ATA in 2005 found the lack of clear information for consumers and information asymmetries in favour of electricity retailers to be major barriers to the uptake of renewable energy systems such as small-scale rooftop solar photovoltaic systems¹. The commencement of regulation enacted by this legislation will provide welcome access to information and greater certainty for proponents, and is clear evidence of the failure of present arrangements to adequately provide for renewable energy proponents, and as such a failure of the competitive market.

Competitive Market Factors

ATA has a number of concerns with both the findings and methodology used to reach those findings. Firstly, and fundamentally, it seems incongruous to determine the market to be effective, and then call for an overhaul of the present arrangements. If the market is deemed to be effective, then why is there a need to alter existing arrangements?

Further, there seems to be no consideration or analysis of the factors and conditions which have led to this perceived effective market, and as such it seems that recommending the removal of all price regulation may actually remove the very conditions which exist to create this effective market. The existence of the standing offer provides a 'price to beat' for retail entrants to the market and a point of comparison for consumers evaluating retail offers. The removal of this form of regulation may actually reduce the level of competition in the market, and hinder consumers' ability to evaluate the best retail offer available.

Evidence of Competition

ATA firmly believes that there has been an over-reliance on the customer survey in evaluating the effectiveness of competition, and a lack of consideration of submissions made and evidence provided by a host of consumer organisations who have direct contact with consumers and hence a host of knowledge of the impacts of the competitive market. This is particularly the case when considering issues of marketing misconduct by retailers.

We are concerned by the lack of consideration given to the widespread evidence of misconduct and misinformation provided by door-to-door salespeople and practices. I personally have been door-knocked twice and cold-called once in the past six months, and each time some of the information presented to me has been inaccurate and misleading. This practice is particularly bad in relation to offering GreenPower and other renewable energy products.

The misconduct in this field has led to one retailer facing legal action and present, and we find it remarkable for the Commission to conclude that a consumer who has answered the door in response to a door-to-door salesperson is an 'informed and active consumer' – this consumer is rarely adequately informed and the process of answering the door can hardly be considered as active.

¹ ATA 2005 *Impediments to Grid Connection of Solar Photovoltaic: the consumer experience* Alternative Technology Association, Melbourne

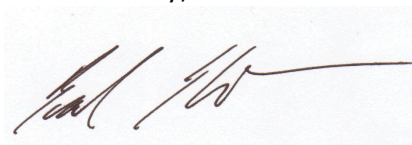
Further, using rates of churn as an indication of an effective market is completely inadequate. This fails to take into account the fact that many consumers, when faced with a salesperson at the door, may sign up just to get rid of them. Additionally, consumers wishing to connect renewable micro-generation to the grid, such a rooftop solar photovoltaic system, are often forced into switching retailers merely to find one who will cater for a grid-connected system – often at disadvantageous terms and with an increase in retail premiums, resulting in the consumer being financially worse off, even after allowing for the purchase of electricity from their system. This is hardly evidence of a competitive market.

Finally, the perceived 'lack' of complaints on behalf of consumers used as evidence of a successfully competitive market is worrying. We would consider one complaint about marketing misconduct to be one too many. Consumers who have been misled rarely know they have been misled. For example, the majority of consumers who have signed up to a '100% renewable energy' product firmly believe they are getting GreenPower, and until they are educated that many of the 100% renewable energy products are not actually GreenPower, why would they complain? They don't know they have been misled. This is true for all energy products.

Further Contact

ATA would welcome the opportunity to discuss any aspect of this submission or the effectiveness of competition for renewable energy system owners further. Please direct any questions or further correspondence to Brad Shone, Energy Policy Manager, on 9631 5406 or Brad.Shone@ata.org.au

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Brad Shone', with a long horizontal flourish extending to the right.

Brad Shone
Energy Policy Manager
ATA