



---

**Submission on ICRC  
Report no. 2 of 2006-  
Draft Decision on Retail  
Prices for non-contestable  
Electricity Customers**

---

**March 2006**

## **Introduction**

ACTCOSS acknowledges that Canberra has been built on the traditional lands of the Ngunnawal people. We pay our respects to their elders and recognise the displacement and disadvantage they have suffered since European settlement. ACTCOSS celebrates the Ngunnawal's living culture and valuable contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage, and low-income citizens of the Territory. ACTCOSS is a member of the nationwide COSS network, made up of each of the state Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' objectives are representation of people living with disadvantage, the promotion of equitable social policy, and the development of a professional, cohesive and effective community sector.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS receives funding from the Community Services Program (CSP) which is funded by the ACT Government.

### ***Contact Details***

Phone: 02 6202-7200

Fax: 02 6247-7175

Mail: PO Box 195 Civic Square ACT 2608

E-mail: [actcoss@actcoss.org.au](mailto:actcoss@actcoss.org.au)

WWW: <http://www.actcoss.org.au>

Location: Jamieson House  
43 Constitution Avenue  
Reid ACT 2612

Director: Ms Ara Cresswell

Policy Officer/Author: Karen Nicholson

10 March 2006

© Copyright ACT Council of Social Service Incorporated

---

This publication is copyright, apart from use by those agencies for which it has been produced. Non-profit associations and groups have permission to reproduce parts of this publication as long as the Original meaning is retained and proper credit is given to the ACT Council of Social Service Inc (ACTCOSS). All other individuals and Agencies seeking to reproduce material from this publication should obtain the permission of the Director of ACTCOSS.

## ***TABLE OF CONTENTS***

<b><i>Introduction</i></b>	<b>2</b>
<b><i>Background</i></b>	<b>4</b>
<b>Why a Transitional Franchise Tariff ?</b>	<b>5</b>
<b>Non-tariff safety net measures.</b>	<b>6</b>
<b><i>The Report</i></b>	<b>8</b>
<b>Overview of the ACT market in the national context</b>	<b>8</b>
<b>Assessment of the competitiveness of the ACT market</b>	<b>9</b>
<b>Draft decision</b>	<b>13</b>
<b><i>Conclusion</i></b>	<b>14</b>
<b>DCITA Press Release 009/06</b>	<b>15</b>

## Background

*"The best policy is to declare victory and leave."*

*Senator George D. Aiken (R-Vt.), 1966, about the Viet Nam War*

*"The evidence, empirical, theoretical, and expert, that opening residential electricity markets to competition may hurt consumers because of the costs they perceive of having to choose is compelling. Even the best jurisdictions, with the possible exception of England, have seen low switching rates. A key reason why one might need a default provider is not merely that electricity is "different," but that the rapid transition to open markets would force consumers to switch when they are reluctant to do so in general. A model with costs of switching away from an incumbent indicates that net welfare effects, taking switching/search costs into account, can be negative. Those who remain with the incumbent rather than switch have to pay higher prices, and those with high costs who do switch nevertheless may have been better off with the unregulated price. Considerable commentary bears out these concerns.*

*"Perhaps these conclusions are pessimistic, in that as states rescind "standard offer" prices enacted in the initial stages of retail restructuring, more entry and switching may be forthcoming, particularly if "provider of last resort obligations" charges incorporate a premium to reflect the risk of customer churn and nonpayment. 40 Nevertheless, the analyses above suggest some policy recommendations.*

*"A first would be to realize that much of the value of opening electricity markets will be achieved in offering choice to industrial and commercial users. The residential portion of the market in the United States comprises only about 36.4 percent of total electricity use. Competition for the other 63.6 percent will not only be beneficial on its own but could also lead to lower benchmark prices for residential customers. Over time, residential users might overcome reluctance to choose if it appears to be bringing benefits to other parts of the sector. But until that point, rather than lament the failure of small users to jump on the competition bandwagon, electricity market advocates might follow Senator Aiken's advice and declare victory.*

*"Such a declaration entails that consumers continue to be offered a default alternative. The model suggests that a primary cost of that alternative will be that a default provider would have the market power to capture the rents from consumer reluctance to choose. Consequently, **for economic as well as political reasons, one may not only need to designate a default provider to avoid forcing consumers to make choices they would rather not (Sutherland 2001). That default provider may also need to have its prices regulated so that it is unable to exploit its privileged position.**" (Emphasis added by ACTCOSS)*

*"Consumer Preference Not to Choose; Methodological and Policy Implications", Professor Timothy Brennan, University of Maryland and Senior Fellow, Resources for the Future. RFF Discussion Paper 05-51, November 2005. p.24.*

## ACTCOSS Response to ICRC Report No. 2 of 2006

This submission is ACTCOSS' second response on this issue to the Independent Competition and Consumer Commission (ICRC). The initial task seemed quite simple, given that only three retailers are active in the ACT market: full retail competition has not resulted in an open and competitive market for electricity in Canberra, and therefore there is a need for a continuation of the transitional arrangements.

It was with dismay, therefore, that ACTCOSS read the draft decision's reliance on *potential* competition. The draft decision shows no appreciation of the community that has so far resisted attempts to have it participate actively in energy competition.

ACTCOSS will again endeavour to demonstrate to the Government and the ICRC that it is not in the interests of small consumers to remove the TFT, and that the intentions of the Government in introducing the tariff in 2003 should be reinforced.

### **Why a Transitional Franchise Tariff?**

ACTCOSS notes that, on announcing the introduction of FRC in November 2002, the Treasurer Ted Quinlan assured the Assembly that,

*"A decision that the transition is complete will be one that is balanced by social outcomes rather than being determined solely by economic imperatives. Three years after the introduction of the transitional period, the government will evaluate whether there is an ongoing need for transitional arrangements."*

The ICRC says in its draft report that to assume that the transitional franchise tariff was a safety net mechanism is to misunderstand the purpose of the tariff<sup>1</sup>. The Treasurer, Mr Quinlan made clear the Government's intentions for setting the TFT when he told the Assembly on November 19, 2002<sup>2</sup> that:

*"The government is conscious of the need to protect smaller users who are not in a position to evaluate various offers that may be made from new suppliers, or in fact may receive few offers from new suppliers because they just do not represent an attractive proposition."*

*"For this reason, government has decided to have a transitional period, initially of three years. During this period, those customers that do not wish to exercise their choice of electricity retailer will be able to continue to be supplied by ActewAGL at a regulated price."*

ACTCOSS reiterates that it sees the regulated tariff as being an integral part of the protection mechanisms for low income households that *"do not represent an attractive proposition"*.

---

<sup>1</sup> ICRC, Report No. 2 of 2006 (the Report), page 9 Of 71 (CD version)

<sup>2</sup> *Legislative Assembly for the ACT: 2002 Week 13 Hansard (19 November). Page 3742*

## ACTCOSS Response to ICRC Report No. 2 of 2006

This view is shared by CRAI, an international consultancy that provided a review of electricity and gas standing offers for the Victorian Government in 2003<sup>3</sup>:

*"It is important to consider that the purpose of the standing tariffs is to provide a safety net to small customers and also to allow the growth of competition in this segment of the market."*

The CRAI report saw it as crucial that competition be allowed to develop with standing offers in place, a view ACTCOSS supports.

### **Non-tariff safety net measures.**

---

ACTCOSS is very concerned that the Essential Services Consumer Council continue to be able to function to protect the interests of low income consumers if the changes outlined in the Report are adopted. The effect of translating all non-negotiated contracts to negotiated contracts<sup>4</sup> will bring into play other consumer affairs instruments, particularly where there is bundling of unlike commodities, such as credit card discounts and utilities, as exist in New South Wales. There is also the complicating factor of appliance purchases that are combined with utility bills, creating difficulties when trying to address fuel poverty.

ACTCOSS asks that, before any move is taken to withdraw the transitional tariff, that legal opinion be sought from community legal practitioners on the possible impact of the proposed changes to the Utilities Act 2000 on the operations of the ESCC.

ACTCOSS also believes that the concept of "retailer of last resort" (RoLR) has been misrepresented in this section of the Report, which states that RoLR is:

#### **4.4 'Retailer of last resort' provisions**

The draft decision to recommend that the TFT be discontinued will not alter the arrangements whereby ActewAGL will remain the retailer of last resort. ActewAGL has stated in its public submission to this inquiry that it intends to continue to provide this facility, thereby providing a fallback supply option for any consumer unable to obtain supply from any other retailer in the ACT.

The RoLR is not the retailer who must provide a service to consumers "unable to obtain a supply from any other retailer", but the retailer who must pick up the customers of companies that fail and leave the market.

---

<sup>3</sup> Charles Rivers and Associated (now CRAI), *Electricity and Gas Standing Offers and Deemed Contracts*, December 2003 P. 48 of 50..

<sup>4</sup> ACTCOSS finds this a euphemism as there is little negotiation: an offer is made and accepted or rejected. Nowhere has ACTCOSS seen such offers as are available in real estate, for example, where you can negotiate the cost of the sale of a house. ACTCOSS prefers the term market contract, which is more apt.

## ACTCOSS Response to ICRC Report No. 2 of 2006

These are not the same cohort as those consumers who do not take up a market contract, for whatever reason, or who want to return to the first tier retailer. In all jurisdictions RoLR is a remedy for consumers who become victims of corporate failure, not market failure. As the ACT's own industry guideline states<sup>5</sup>:

<b>retailer of last resort</b>	means the <b>electricity supplier</b> providing <b>retailer of last resort services</b> :
<b>retailer of last resort services</b>	means the supply of electricity to a <b>customer</b> whose other supplier of electricity ceases (either permanently or temporarily) to be lawfully able to supply electricity to the premises of the <b>customer</b> and that inability was not caused by the <b>customer</b> :

The Victorian Government expressed the difference between RoLR and deemed contracts this way<sup>6</sup>:

It is also worth noting that the concept of a Retailer of Last Resort is not the same as a "default" or "deemed" retailer. The latter terms are used in many jurisdictions to refer to the retailer that supplies or sells electricity to customers who have made no active choice of a retailer, either through inertia or because they are commercially unattractive to competitive retailers. "Default" or "deemed" retailers generally supply and sell electricity on regulated standard terms and conditions and provide a safety net to customers that have not contracted with a competitive retailer. On the other hand, a Retailer of Last Resort supplies and sells electricity to customers that did choose a competitive retailer, but whose retailer then exited the market without making appropriate arrangements for ongoing supply and sale of electricity to its customers at the time of its market exit.

The important part to note is that the deemed contract is offered on "regulated terms and conditions and provide a safety net to customers". The proposed deemed contract provisions envisaged by the Report in its final recommendations (but not canvassed in the main body of the report) go some way to achieving this, but price then becomes a form of gentleman's contract between the regulator and the incumbent. Such arrangements should at the least be subject to reserve powers to reintroduce regulation.

In addition, the ACT draft industry code RoLR arrangements expire after three months of the trigger. This is hardly a safety net measure.

ACTCOSS also makes the point that the often-quoted review of concessions that was underway in 2003<sup>7</sup> and which was to form part of

---

<sup>5</sup> Retailer of Last Resort Guidelines, ICRC, 2002. Accessed at: [http://www.icrc.act.gov.au/\\_data/assets/pdf\\_file/17559/retaileroflastresortdeceember2002cw.pdf](http://www.icrc.act.gov.au/_data/assets/pdf_file/17559/retaileroflastresortdeceember2002cw.pdf)

<sup>6</sup> Electricity Retail Competition for Small Customers, Office of the Regulator General, Victoria. Accessed at: <http://www.esc.vic.gov.au/docs/electric/retlrcon5.pdf>, page 14 of 29.

<sup>7</sup> *Legislative Assembly for the ACT: 2003 Week 8 Hansard (21 August)*. Page.. 3132 – Reply to QON at page 3131 by Mr Cornwall to Mr Wood: "4. The Chief

the safety net for consumers after the introduction of Full Retail Competition (FRC) has never materialized. There has been some recognition of the effects of FRC on pensioners<sup>8</sup>, but that does not extend to all low income consumers. While this is not within the ICRC's brief as stated, ACTCOSS believes that the ICRC pays only lip service to the need for a full complement of safety net measures to be in place before the removal of the transitional franchise tariff.

## The Report

### Overview of the ACT market in the national context

There is a complete lack of any relevant and robust data on consumers and consumer behaviour within the NEM, and in particular, in the ACT regional market<sup>9</sup>. ACTCOSS has raised the lack of research on consumers in previous submissions to the ICRC. The current Report tries to make an assessment of consumer intentions and reasons based on the opinions of the retailers. The fact that ACTEWAGL believes there is "little doubt" that people are aware of the competitive market is not quantified. ACTCOSS doubts whether the incumbent, with roughly 97% of the market, can be seen as a neutral commentator on such issues.

There is a need for independent qualitative and quantitative analysis of the ACT market, including the consumer recognition of the offers available. ACTCOSS would point out that many of the ACTEWAGL ads that aired in the past three years have been corporate identity ads, not directed at informing consumers of retail energy choice. There is also the confounding fact that ACTEW was running a major campaign on water saving at the same time. The outcomes of campaigns cannot be guessed at, which is why utility companies pay market research companies to analyse the success of their campaigns. It would be informative to have such material at hand when analysing the success and extent of *effective*<sup>10</sup>, not *potential* competition.

---

Minister's Department is currently co-ordinating a review of the ACT Government Concessions regime. Information from the review will inform future Government decisions on the ACT Government Concessions Program."

<sup>8</sup> ACT Budget 2005-06. increased funds were provided for electricity and gas rebates.

<sup>9</sup> This fact was commented on at length in the Consumer Law Centre of Victoria's paper: "*Electricity Reform in Victoria: Outcomes for Consumers*", CLCV, February 2006.

<sup>10</sup> MCE SCO, *Improving user participation in the Australian energy market – discussion paper*, March 2004. Quoted in the ICRC Report at page 35.



## **Assessment of the competitiveness of the ACT market**

The crux of the ICRC argument for removing the regulated tariff is that there is evidence of competition in the ACT market. The Report relies on market participants and a purely theoretical economic approach to support its stance that there *is* competition, albeit potential.

ACTCOSS believes these arguments are non-applicable, as the ICRC does not approach the issue of consumer apathy. While some 14% of customers have signed a market contract with ACTEW AGL, as Sharam points out<sup>11</sup> this figure also includes people who have simply moved house and have stayed with their old utility provider. Without adequate analysis of the market contract customers, it is difficult to read any significance into that figure.

ACTCOSS reiterates that these customers are, in the main, early adopters who took advantage of a discount offered for doing what they had always done. The discount was only available to consumers with gas and electricity, as well as phone and/or internet through Transact; there is no evidence that customers undertook any form of price comparison for services offered within that bundle to ensure they were getting the most competitive price for those services.

ACTCOSS notes that the ICRC quotes favourably from the Australian Competition Tribunal in the Report. We offer our own institutionalised support for *regulated* pricing, in the form of the Minister for Telecommunications announcing that Telstra would face a regulated tariff for line rental and untimed local calls<sup>12</sup>, confirming the Federal Government's commitment to ensuring equity for disadvantaged consumers, by which Senator Coonan meant remote and rural consumers. ACTCOSS believes the same equity argument applies to pricing for essential services, such as electricity.

ACTCOSS does not believe that the Qantas case is relevant to the ACT electricity market, although it is an interesting discussion of economics and the marginal case of entering a market. Qantas customers have some choice about consumption of the good on offer or its alternative (road, rail, etc), while electricity is an essential service.

The reliance on potential competition and the idea of threats ignores the recent research in Australia and overseas on the lack of consumer enthusiasm for the energy market. ACTCOSS quotes from the Resources For the Future paper, and the work of Andrea Sharam in Victoria. There is no shortage of material that shows that, despite advertising campaigns, door to door salesmen and women, and all the other attempts to get consumers comparing offers and making informed choices, apathy and inertia far outweigh any active movement to a competitive market.

---

<sup>11</sup> CLCV op cit, p.57

<sup>12</sup> Press release attached.

## ACTCOSS Response to ICRC Report No. 2 of 2006

ACTCOSS would here like to point out some inconsistencies in the ICRC report with regard to the "average" ACT consumer. The discussion on page 17 focuses on *energy* consumption, including gas. The Report gives a cost of energy consumption at \$31.70 per week (\$1,648 pa) and then states that "discounts of up to 10%" are offered. It is ACTCOSS' understanding that the discount only applies to the electricity component of the energy use, which would be \$97.10 over 12 months on the average electricity consumer's bill quoted at page 11 (\$971.00) This inconsistency is exacerbated when figure 4.1 uses an annual cost of electricity around \$860<sup>13</sup>. This again highlights the need for clear and independent data on the ACT market, including a household/income breakdown.

The ICRC has discussed barriers to the market in terms of the indicators of competitiveness. ACTCOSS mentioned the cost of IT upgrades in its original submission. There is also the issue of the complexity of transfers. At the current time, according to the ESC's E2E issues paper<sup>14</sup> on "business to business" or B2B transfers, there are a potential 102 steps to be undertaken to ensure a proper transfer of a consumer from one retailer to another.

As the Issues paper states:

*"Problems with B2B information systems appear to be impeding the timely transfer of customers between retailers, and generating billing problems for a significant number of customers. This has the effect of reducing the efficiency and raising the cost of the competitive retail market, and may undermine the willingness of customers to participate in the market."*

*It is equally important to ensure that the systems / processes implemented by industry, which underpin the FRC environment, are efficient and that they are not imposing unnecessary costs which may ultimately be passed on to end use customers. Inefficient systems / processes may also impede the progress of the market if increased churn rates (switching from one retailer to another), and the implementation of innovative technologies (e.g. interval meters) cannot be accommodated efficiently<sup>15</sup>.*

Assuming that the process is similar in Canberra, ACTCOSS agrees with the E2E Project that while such cumbersome processes are in place it is

---

<sup>13</sup> ACTCOSS notes that the comparison with NSW does not state whether the effects of that state's Electricity Tariff Equalisation Fund have been taken into account. There is also no explanation of the higher ACT costs, so ACTCOSS has assumed that this is because of winter heating costs. However, this only adds to the confounding of the three different figures provided.

<sup>14</sup> Essential Services Commission of Victoria, "*End to End Project Issues Paper*". October 2005. ACTCOSS understands there are some 70 other transactions in the FRC MSATS activities that can be even more complicated than disputed or failed transfers.

<sup>15</sup> E2E op cit, page 2.

## ACTCOSS Response to ICRC Report No. 2 of 2006

not a market where consumers can move freely from retailer to retailer to take up advantageous offers<sup>16</sup>.

ACTCOSS also notes that Country Energy's comments about the retail net margin needing to be greater before it enters the market are seen in a narrow light as an example of a potential price constraint on ACTEW AGL if the regulated tariff is removed<sup>17</sup>. ACTCOSS sees this as recognition that ACTEW AGL is not seriously pursuing consumers in the adjacent market where the margin is higher (based on figure 4 of the Report). It can also be a more pertinent pointer to the fact that, until prices are higher, some (or most) licensees will not participate in this market. Which brings us back to alternate reasons for having a licence in a market where you do not intend to operate, such as a hedge against any unforeseen NEM outcomes.

ACTCOSS would here like to mention the specific issue of consumer awareness. The ICRC puts great faith in newspaper, radio and television advertising, and pamphlets as a way of getting across a message about retail competition. A quick search of the internet will produce market research courses showing that most consumers of ANY commodity tend to make purchasing decisions based on feelings and their personal circumstances at the time. So called "high involvement" purchases, such as cars and houses, are better researched but can still be made according to a "gut feeling". There is also a lack of stimulus, as defined by marketing experts. The stimulus is a need, like hunger leading people to purchase hamburgers. In the case of electricity, people who move house are probably more likely to feel a "stimulus", so perhaps these are people making decisions based on the information sources quoted. But for people who have electricity being delivered already, there is no stimulus, unless someone turns up at the door to engage them. Even then, Energy Australia does not seem to have shared its data on the success of its door to door campaign.

The reality is people don't go shopping for things they already have and are satisfied with. It will take a high level of consumer awareness-raising, interactive tools such as those legislated in South Australia, and an ongoing effort by the ICRC<sup>18</sup>.

---

<sup>16</sup> ACTCOSS also notes that it can take 33 days to settle one weeks trading in the NEM, and until these high-level functions are streamlined and made more efficient, it is impossible to argue that the market is operating effectively.

<sup>17</sup> Report Footnote, p.30

<sup>18</sup> The ICRC quotes its own page as having information, but it is neither obvious nor accessible for people who open the home page looking for energy cost comparisons or outlines of what FRC means for consumers. Comparison tools also have their drawbacks, as shown by the New Zealand consumer choice site, where the site designed to help make the choice of retailer easier start with a three page instruction guide. This is accompanied by a multi-page worksheet. The New Zealand site also states that it can take 29 days to switch retailers, pointing to the complexity of settling and transfer arrangements. Many people would ask, "why bother". The South Australian Estimator is at:

<http://www.escosa.sa.gov.au/site/page.cfm?u=18>

## ACTCOSS Response to ICRC Report No. 2 of 2006

There is also the related issue of the offers being made in the ACT. ACTCOSS does not see bundling of existing products, even when offered by a new entrant, as a range of products. That does not mean that ACTCOSS believes that the offers interstate should be extended into the ACT. We do not, for example, want to see Qantas Frequent Flyer points attached to utilities bills through credit card debit schemes. The ESC found that there was a range of incentives offered in Victoria under competitive contracts, including<sup>19</sup>:

- Brand alliance with non-energy products (including football teams);
- Dual Fuel Billing;
- Fixed Pricing;
- Green Energy;
- Competitions; and
- Product and Service Vouchers.

There is also a product from TruEnergy that is targeted specifically at consumers on rebates and concessions.

ACTCOSS does not advocate that all these products become part of the contract horizon in Canberra. We merely point out that the offerings to Canberra residents are not as varied as those interstate. ACTEW AGL has a series of offers available, along with competitions, but as incumbent it does not appear to promote these "loyalty" schemes.

The problem with bundling, particularly of non-like products, is that it creates the potential for consumers to lose access to discrete protection measures. As ACTCOSS stated in its earlier submission, bundling things like telecommunications and utilities can bring other consumer protection instruments into play, complicating resolution of fuel poverty or debt management. Allowing credit products to become part of the utility contract exacerbates debt management issues, as the debt accrues to the credit card company, not the utilities that have hardship policies and access to bodies such as the ESCC.

ACTCOSS is also very disturbed at the continued reference in the Report to "the imminent possibility" of prepayment meters into the ACT. This matter has not been settled, as the draft regulation is still open for discussion. While Aurora Energy and others have presented their case for such a regulation, the arrival of prepayment meters is neither guaranteed nor imminent. ACTCOSS believes that Government decisions should be based on more than "imminent possibilities". ACTCOSS understands that it might take between 2-3 years for prepayment meters to be offered as a competitive product in the ACT market by Aurora, which recently submitted a draft code to the ICRC for review and possible adoption.

---

<sup>19</sup> CLCV op cit. Page 25.

## **Draft decision**

---

ACTCOSS believes that the discussion of potential options outlined in Appendix 3 should have been placed in the body of the Report. ACTCOSS would also like to see more evidence of the effect removing the TFT will have on competition: for example, discussion of how the removal of TFTs has increased competition in other jurisdictions. Instead it is assumed that, because the potential exists, all that is preventing greater uptake is a bit of marketing and removal of the TFT.

The issues raised for consumers in the draft decision are very concerning. The ICRC notes the ESCC will not have access to funding through licensing fees once the NEM regulatory arrangements at the end of 2006. ACTCOSS is also very concerned at this potential erosion of safeguards.

We are also concerned that the ICRC has not canvassed the price direction should the TFT be removed. With the evidence from Country Energy and the fact that few competitors are willing to enter the market at the current price, it appears evident to ACTCOSS that, threat of new entrants or no, the price of electricity will rise. This has grave implications for consumers across the board in Canberra, given the high differential temperatures, long cold winters and increasingly hot summers, coupled with the declining costs of electric appliances, particularly reverse cycle air-conditioning, plasma TV screens and home movie systems.

ACTCOSS believes that the intentions of ACTEW AGL to "maintain a standard customer contract with no fixed term" is laudable, but is only the word of the current board. It does not seem aware of the legislative impediments to this course of action. The ICRC has pointed out the difficulties with that approach, but only suggests a way forward in Appendix 3: if the Government does not wish to legislate for a deemed contract, the ICRC could continue to issue price directions for standing offers. That discussion should have taken place in the body of the Report and the option put forward, as it is likely that more than a few people would refuse to sign market contracts.

ACTCOSS believes that, if the ICRC is concerned that it might not get the regulated price correct to balance corporate and consumer needs, it should look more broadly for models for the future TFT. It might also like to look at the regulated tariff in existence in Alberta in Canada which consists of the wholesale market price, plus the transmission and distribution tariffs<sup>20</sup>.

---

<sup>20</sup> Brennan, op cit, p.7

## Conclusion

ACTCOSS does not believe that there is sufficient information available on the features of the ACT electricity market to make any informed decisions on how this market should operate. Interstate and international experience has shown a large amount of apathy from consumers in much more mature electricity markets. Energy Australia's claim that market size did not affect its decision to enter the ACT shows that it sees Canberra as a close, geographically contained market with affluent, high-end users. It explained its approach to new markets this way to the CLCV:

*"Energy Australia's market offers have predominantly been made via door-to-door sales process, the price and service improvements afforded by those offers have been restricted to customers with a high energy consumption in more affluent metropolitan areas."<sup>21</sup>*

Yet the ICRC says it can see no evidence of "cherry picking". ACTCOSS believes that the ICRC's expressed faith in the market and the interpretation of potential entrants from the number of licensees are not sufficient reasons for removing the regulated franchise tariff that the Treasurer himself said was needed to protect small consumers.

ACTCOSS is concerned that the inefficiencies of the NEM as demonstrated by the complicated MSATS processes are impacting on small consumers unnecessarily. While advocating for retention of the TFF, we reiterate that pricing in the electricity and gas markets should be reconstructed to follow the structure of ACT water prices: a low fixed cost with inclining block tariffs that recognise the essential nature of energy, with higher costs for higher, discretionary consumption. This must be coupled with a sustainable appliance replacement and energy efficiency upgrades for low income, high consumption households.

---

<sup>21</sup> CLCV op cit. Page 19 Quote from the EA submission to the ESC.

**DCITA PRESS RELEASE 009/06**

**28 February 2006**

## **Line rental parity for rural Australia enshrined in price controls**

Telstra will now be required to offer a basic retail line rental service at the same price across Australia following an amendment to the Telstra price controls, the Minister for Communications, Information Technology and the Arts, Senator Helen Coonan, said today.

The Government announced the price controls would be amended in December last year. The *Telstra Carrier Charges – Price Control Arrangements, Notification and Disallowance Determination No.1 of 2005 (Amendment No. 1 of 2006)* was made today.

“The price controls that apply to Telstra are a key telecommunications safeguard. They make sure that the efficiency gains Telstra makes are passed through to its customers in the form of lower prices in markets where competition is not yet fully developed,” Senator Coonan said.

Under the amended price controls Telstra will not be permitted to charge more than 22 cents for local calls offered with this service.

The Determination also makes it clear that the price for the basic line rental service to residential customers will remain frozen at its level on 31 December 2005 of \$31.95 until 30 June 2007, and thereafter only increase at the rate of inflation.

In addition, customers who select the basic line rental service from Telstra will be able to select other carriers for their trunk and international calls if they choose.

“These requirements will make sure that all Australians have access to a line rental safety net service without compromising Telstra’s capacity to offer competitive pricing packages in the market,” Senator Coonan said.

The Determination also make changes to the price cap on dial-up internet calls using the 0198 number range to ensure these calls are capped along the same lines as local calls.

Other price control arrangements introduced on 1 January 2006 will remain: untimed local calls will remain capped at 22 cents and Telstra is still required to continue to offer a package of services and support targeted at low income consumers.

“The Determination reaffirms this Government’s commitment to retail pricing parity for the benefit of all Australians, especially those living in regional, rural and remote areas of the country,” Senator Coonan said.

A review of the price controls will be initiated in 2008 for completion in early 2009.