



**Comment
on the
Implementation
of GreenPower
Initiative**

October 2008

INTRODUCTION

ACTCOSS acknowledges that modern day 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 dynamic, collaborative and sustainable 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.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

Introduction

We thank the Independent Competition and Regulatory Commission (ICRC) of the ACT for inviting us to comment on this important new scheme and for making the Information Paper *Utility Services Licenses to Supply Electricity – Proposed Amendments to Implement the GreenPower Offer Scheme* available to ACTCOSS.

ACTCOSS supports the concept of the GreenPower initiative. We recognise the important environmental benefits of green energy products and welcome the requirement that all retailers have access to a green energy product and make this available to all customers.

We also support the requirement that all green energy products offered under the scheme be accredited through the GreenPower Accreditation Program, allowing for increased consumer confidence in the energy products they will be receiving.

While we support the legislation generally we are concerned about a number of areas of the scheme, in particular the use of the term “first” in both the Information Paper and the License Provisions, the provisions requiring a statement of tariffs and charges to be provided, and the need for an opt-out protection for customers who choose the green energy products.

Accredited Green Energy as the “First Offer”

ACTCOSS’ primary concern is the use in both the Information Paper and the License Provisions at s4.2(1)(a) of the term “first.”

The problem stems from the statement in the Minister’s Direction that the green energy product must be the first product offered to any new or re-connecting customer. The Information Paper, in attempting to interpret the requirements of the direction, states that customers must be made aware “at the same time¹” that other products are available, in part to protect “financially disadvantaged customers from inadvertently selecting a product that does not suit their circumstances.” The Minister’s Direction also allows that it is a right of customers to be made aware “at the same time” that other product options are available to them.

While s4.2(1)(c) requires that the customer be made aware of the other products available it does not include the requirement that the customer be made aware *at the same time* that the initial offer is presented. The license provisions must be changed to reflect the requirement that other products are made available at the same time the green energy product is offered.

¹ At page 2.

To put this requirement in context, a 2007 customer survey of Victorian consumers found the following:²

- Around half of domestic customers who received energy offers didn't understand them;
- 89% of customers who switched energy suppliers used one or no sources of information when making the decision;
- Those who used one source most often only used the retailer they switched to;
- Only 5% of customers compared a new offer with their existing contract; and
- 90% of domestic customers have not approached an electricity retailer in the last 5 years.

It is clear from these statistics that a large number of customers are disinclined to seek out information that is not readily available to them. In order to ensure people are making the best choices for their practical and financial circumstances, and not causing personal hardship in the longer term, it is essential that information is provided from the outset about the products that are available.

As a result, we strongly advocate for the amendment of the License Provisions, by including the term "at the same time" in s4.2(1)(c). This would ensure that customers are both offered the green energy product initially but also made aware of the other options available, without requiring further inquiries from the consumer.

Recommendation: The License Provisions be amended to match the Information Paper, by including the term "at the same time" in s4.2(1)(c).

Statement of the Tariffs and Charges

We seek clarification regarding the statement of tariffs and charges that must be supplied to the potential customer under s4.2(1)(d) of the License Provisions.

A number of organisations who made submissions to the Australian Energy Market Commission in South Australia recently noted that they or their members/clients had difficulty interpreting the information provided to them by energy suppliers.³ The South Australian Council on the Ageing (COTA) noted that many energy retailers in SA were reluctant to provide written details of their offers, directing people to access them online.⁴ As many people experiencing disadvantage, including older people and people with lower incomes, lack regular access to the internet, their ability to make informed decisions is limited.

² AEMC, Review of the Effectiveness of Competition in the Electricity and Gas Retail Markets in Victoria, February 2008, available at <http://www.aemc.gov.au/electricity.php?r=20080115.165948>

³ AEMC, Review of the Effectiveness of Competition in the Electricity and Gas Retail Markets in South Australia, September 2008, available at <http://www.aemc.gov.au/electricity.php?r=20080115.175820>.

⁴ Ibid.

Further, surveys in the United Kingdom have shown that 20-30% of all customers who switched retailers seeking a lower price ended up paying more and that only 50% of all customers switching achieved the highest gain available to them.⁵ This research found that rather than attributing this to factors such as misleading sales activities or preferences for particular fee structures, the choices were as a result of errors in decision making by the customers.⁶ It is obvious from these statistics that many customers have difficulty comparing alternative energy supply options available to them.

Therefore, whilst we support the requirement in the provisions that a statement of tariffs and charges be made available, it is important that customers are aware of the costs of all the options available to them, not just the costs of the accredited green energy products. The Information Paper suggests that the retailer must provide statements about the tariffs and charges of both the accredited green energy products and the alternative offerings available to the customer, which does not appear to be reflected in the License Provisions.⁷ We require clarification of this in the License Provisions.

Recommendation: Inclusion in the License Provisions of a requirement to provide a statement of tariffs and charges for all products available to customers, not just green energy products.

Further, there is a need for some regulation of the format this information will take. Information must be presented in a way that is both simple for people to understand (including those with lower literacy levels) and that is easily comparable, so that customers can easily match their needs to the different energy options available to them.

Recommendation: The format of statements of tariffs and charges be regulated to ensure they are accessible, simple and easily comparable for customers.

Opt-out Protection for Green Energy Users

It is essential that the GreenPower scheme include an opt-out protection for customers who choose green energy products but whose circumstances later change or who are unable to meet the financial requirements of green energy supply. This requirement must be reflected in the provisions.

⁵ Chris Wilson & Catherine Waddams Price, *CCP Working Paper: Do Consumers Switch to the Best Supplier?* ESRC Centre for Competition Policy, University of East Anglia, 2007.

⁶ Ibid.

⁷ At page 9.

Recommendation: Customers be able to cancel their green energy supply immediately and without penalty and revert to a lower cost contract.

Other Comments

At the direction of the Minister for Environment, Water and Climate Change,⁸ the scheme has been implemented through variations to the licensing provisions. We question the implications of this, when the license regime is phased out as part of the National Electricity Market future reforms.

ACTCOSS suggests that to ensure responses and comments on changes such as those discussed above are fully informed, the relevant Minister's directions should be included with the information package circulated by the ICRC. It is our understanding that Minister's directions are generally circulated with the packet of information. There appears to be no reason for the failure to include the direction in this case.

⁸ *Utilities (Electricity Retail) License Conditions Direction 2008 (No 1)*, Disallowable Instrument DI2008-10.