

25 November 2009

Ms Anne Armstrong
Chair, NFEE Consumer Information Implementation Committee
Office of Clean Energy
Department of Employment, Economic Development and Innovation

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Thank you for the opportunity to comment on the Energy Bill Benchmarking Regulatory Impact Statement (RIS).

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. EWON supports measures that will assist in reducing greenhouse gas emissions, and in particular that will provide consumers with clear information to assist them to manage their own energy usage.

However, we have found it difficult to consider the question of inclusion of energy benchmarking information on bills as it is not clear whether the potential benefits outweigh what appear to be significant implementation costs. EWON considers that the RIS does not provide sufficient information on either the costs or the benefits to make a realistic assessment at this stage.

We have a number of queries or concerns about this project, which are detailed below.

The qualitative research

The Research Report provided by *Newton Wayman Chong & Associates Pty Ltd*¹ states it was based on feedback from 254 people. The participants were asked for responses on various models of how benchmarking information could be presented.

It does not appear that the participants were advised that the provision of this information would come at a cost which would be passed through to them, and that this cost was likely to increase with the level of detail that was provided. Participants do not appear to have been given an opportunity to comment as to whether they would find the benchmarking information useful in the context of these additional costs. Similarly the telephone survey of 1,108 householders in the Final Report prepared by *CRA International (Hong Kong) Limited*² did not appear to raise the issue of the cost to the consumer of providing the benchmark.

¹ Energy Bill Benchmarking – Market Testing. A Research Report, September 2006

² Energy Bill Benchmarking Desktop analysis, June 2009

As such, this research appears to provide only a partial indication of community attitudes to energy benchmarking.

How meaningful is a benchmark?

EWON is concerned that there are too many variables between households, even within the same climate zone, to make any benchmark meaningful for consumers. These variables include:

- whether the house has gas or electricity for heating and hot water
- what appliances are in the home
- whether or not those appliances are energy-efficient
- whether people are home during the day to use the appliances
- the number of people in the household
- whether the household members include young children or teenagers.

EWON's experience of customer complaints indicates that when customers compare their energy bills with a neighbour and find their bills are higher, this often leads them to doubt the accuracy of the meter readings on which their bills were based. If they query this with their retailers and are not satisfied with the response, they can contact EWON for an independent investigation into the accuracy of the billing.

Our investigations often find that the reason for the difference in the billing is directly related to one of the factors listed above. We would therefore anticipate that including benchmarking information on bills may give rise to an increase in complaints about billing accuracy, requiring additional resources for both the retailers' call centres and for the energy ombudsmen in every state.

The clearest energy saving message

Both the research performed by *Newton Wayman Chong & Associates Pty Ltd* and the trial conducted by *Ergon Energy* in Mackay, Queensland, strongly indicated that cost savings would be the prime motivator for any action by customers to reduce their usage.

The recent price increases for electricity in NSW³ have been a real stimulus for customers to look at ways to reduce their level of energy use. Energy saving information is available in a wide range of formats from all the energy retailers. EWON also regularly directs customers to the NSW Government's *Live Energy Smart* website⁴ for both online information and brochures. There is every indication that public education campaigns, prompted by initiatives to combat climate change, will continue to increase and reinforce these energy efficiency messages.

³ From 1 July 2009 electricity prices increased around 20% in NSW

⁴ www.energysmart.com.au

From our experience of customer complaints about billing, EWON believes that the most relevant information to stimulate customers to reduce their energy usage is the dollar amount on their bills, and the comparison of their current usage with their usage at the same time in the previous year. There is insufficient information to suggest that energy benchmarking against other households is a cost effective way to achieve this same outcome.

Pass-through of implementation costs

The RIS did not provide sufficient information on the implementation costs of the various options proposed to give a clear idea of what the impact on customers' bills would be when these costs are passed through.

EWON deals with a large number of customers experiencing financial distress who already find it very difficult to meet their quarterly utility bills. The July 2009 price rise in electricity has put additional strain on these customers, and the foreshadowed increases in gas bills in NSW for July 2010 will add to this.

EWON would have significant concerns about any measures that will further add to increases in customer bills without a clearly demonstrable benefit. This is particularly as the research appears to indicate that a comparative benchmark would only have an initial interest for consumers, and would not be an ongoing stimulus for action, although the costs would still be incurred and passed through.

Conclusion

EWON has concerns that providing energy benchmarking on bills may not be a cost effective way to achieve the objective of motivating consumers to implement energy efficiency improvements. EWON supports these objectives, but feels that customers will just as likely be prompted to make changes by the dollar amount of their bills and the existing comparative information on their past and present usage, in combination with a range of other public education initiatives.

Our ability to respond in more detail to this RIS has been constrained by the lack of information on the implementation costs for distributors and retailers, and the likely flow-on effect to customers' bills.

If the current options are to be further narrowed down and some guidelines provided as to the implementation costs and the effect of this on quarterly bills, we would be pleased to provide additional comments at that stage.



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If you would like to discuss this matter further, please contact me or Prue McLennan,
Investigations Policy Officer on 02 8218 5250.

Yours sincerely

A handwritten signature in black ink that reads "Clare Petre". The signature is written in a cursive, flowing style.

Clare Petre
Energy & Water Ombudsman NSW