



Submission to the COAG Energy Council on consumer participation in revenue determination and associated regulatory processes

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**NSW Farmers' Association
Level 6 35 Chandos Street
St Leonards NSW 2065**

Ph: (02) 9478 1000

Fax: (02) 8282 4500

Email: (salardinia@nswfarmers.org.au)



About the New South Wales Farmers' Association

The NSW Farmers' Association is Australia's largest State farming organisation representing the interests of its farmer members.

Farmers across New South Wales produce more than \$15 billion worth of food and fibre every year, representing around one quarter of Australia's total agricultural output. Our state's unique geography means a wide variety of crops and livestock can be cultivated and nurtured. NSW Farmers is Australia's only state-based farming organisation to represent the interests of farmers of all agricultural commodities – from avocados and tomatoes, apples, bananas and berries, through grains, pulses and lentils to oysters, cattle, dairy, goats, sheep, pigs and chickens.

Our focus is not just on issues affecting particular crops or animals – it extends to the environment, biosecurity, water, economics, trade and rural and regional affairs. We also have an eye on the future of agriculture; we are advocates for innovation in agriculture, striving to give our members access to the latest and greatest innovations in research, development and extension opportunities. Our industrial relations section provides highly specialised advice about labour and workplace matters.

Our regional branch network ensures local voices guide and shape our positions on issues which affect real people in real communities. Members are the final arbiters of the policies of the Association – through our Annual Conference and elected forums such as Executive Council, members can lobby for the issues which matter to them and their community to become Association policy. Our issue- and commodity-specific Advisory Committees are elected by members to provide specialist, practical advice to decision makers on issues affecting the sector. We are proudly apolitical – we put our members' needs first.



Introduction

The NSW Farmers' Association (the Association) welcomes the opportunity to respond to COAG Energy Council's consultation paper on consumer participation and resourcing in the energy revenue determination process. The Association believes that significantly more resources are required to ensure meaningful engagement by end users, particularly given the complex nature of engagement, and the information and resourcing asymmetries between infrastructure providers and end users.

Current resourcing of consumer engagement

Energy Consumers' Australia (ECA) is an extremely useful knowledge resource for user representative bodies, such as the Association. Our involvement with the ECA helps us gain a better understanding of the energy regulatory process, and a source of information as to upcoming regulatory and government processes.

However, overall resourcing for consumer engagement is woefully inadequate, and the \$2.1 million p.a. ECA grants budget is significantly oversubscribed. Organisations, such as the Association, are struggling to engage with the significant number of Federal Government, state government, parliamentary, independent, and regulatory reviews and processes on energy. In addition, these processes creates a further burden of communicating these processes and changes to our membership, whose views are ultimately the most important priority for us as a representative body.

The Association has been selective in its engagement, but nevertheless has been involved in at least ten separate reviews and processes related to energy in the last twelve months. Combined with our participation in other consumer energy forums, such as the ECA consumer reference committee, and Essential Energy's Consumer Advocacy Group, we estimate conservatively that sixty FTE working days are spent responding to or engaging in government-led processes relating to energy (excluding issues related to energy and land-use planning). This is a significant amount of resources for an organisation whose focus is on farming and agriculture.

Governments and regulators have initiated complex and ongoing reforms within the energy sector, and have espoused the need to put the consumers at the centre of all decisions. Yet this rhetoric has not been matched by the financial resources to allow consumers to engage and engage effectively with these various government processes.

Barriers to effective end-user outcomes

The Association has little concern for the quality and quantity of engagement, what we are concerned about is outcomes, namely affordable and reliable energy. Our preference would be for these outcomes to be achieved with minimal engagement. Our experience with the engagement process has been that engagement has become a goal and priority in and of itself, and divorced from outcomes.

The need for end-users to get involved in infrastructure revenue determination processes is symptomatic of a market that has failed the end user. The customers of network providers are retailers, not end users. In a functioning market, retailers would be the logical stakeholders to hold infrastructure providers to account for their costs and investments. As well-resourced organisations deeply embedded in the energy



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ecosystem, retailers have the expertise and resources to deal with the complexities of revenue determinations.

However, due to the uncompetitive nature of the retail sector, retailers simply pass on all infrastructure costs (efficient or otherwise) to end-users, and maintain healthy margin regardless of changes in infrastructure costs. The retailer's ability to pass on all costs to consumers, disincentives any serious engagement in holding network providers to account.

In the absence of retailer action, it has been left to the end user to hold infrastructure owners to account. This is problematic given the asymmetry of information, knowledge and resources between the end-user and the infrastructure owner. The direct engagement of households and businesses is even more problematic, as they often have very little understanding of the existence of the infrastructure provider, or the issues at play. As such the bulk of the responsibility falls on representative bodies, who become responsible for engaging with the regulatory process.

The infrastructure provider's direct engagement with end-users is also problematic. While the Association believes that most providers' have a genuine commitment to engagement, the engagement realistically can only be described as one way communication. Infrastructure providers select the end users they wish to engage with, and select the themes and issues that are to be discussed. Often the discussion on these themes and issues are narrowed to binary 'yes' or 'no' responses, stifling any meaningful engagement.

This leads to a discussion on matters that are wholly within the comfort zone of infrastructure providers, and ignores critical issues that would assist in achieving affordable and reliable energy. As an example, consumer engagement at one electricity network provider involved discussing a set of yes or no propositions including the frequency of tree pruning, the length of planned outages, and the use of the felled trees for timber by end-users. The collective savings from these measures was estimated to be a few dollars per quarter for the typical household. There was no room in the engagement to discuss matters around the ongoing maintenance of severely under-utilised assets that continue to generate regulated revenues for the provider, despite the potential to save tens of dollars per quarter for the typical end-user.

Improving engagement processes

The financial resources dedicated to facilitating and promoting consumer engagement is woefully inadequate, particularly given the significant changes in the energy market, and the rhetoric around consumer centricity.

With respect to non-financial methods to improve engagement in the determination process, the AER should act as an advocate for end-users. As an example, when network providers put forward draft revenue proposals for comment, the AER could simultaneously release preliminary thoughts on issues and concerns with the draft proposal. This would help consumer representatives frame their investigation into the revenue proposal.

Making the engagement process less resource and time intensive for end users should also be a practical goal for any government engagement. As an example, the preparation of this submission could have been avoided by establishing a one-hour teleconference with agricultural organisations in NSW that cover most of the sector in the state to garner



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feedback. This would obviously translate into a more resource intensive engagement for government agencies. However, the current method of submission solicitation simply outsources the resourcing of engagement processes to representative bodies; this is not our role.

The contact for this matter is Ash Salardini, Chief Economist:
salardinia@nswfarmers.org.au