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# **STATE DEVELOPMENT, INFRASTRUCTURE AND INDUSTRY COMMITTEE**

## **Members present:**

Mr DF Gibson MP (Chair)  
Mr MJ Hart MP  
Mr MJ Crandon MP  
Mr R Katter MP  
Ms KN Millard MP  
Hon. TS Mulherin MP  
Mr BC Young MP

## **Staff present:**

Ms E Pasley (Research Director)  
Ms M Telford (Principal Research Officer)  
Ms M Westcott (Principal Research Officer)

## **PUBLIC HEARING—INQUIRY INTO THE ELECTRICITY COMPETITION AND PROTECTION LEGISLATION AMENDMENT BILL 2014 AND THE NATIONAL ENERGY RETAIL LAW (QUEENSLAND) BILL 2014**

### **TRANSCRIPT OF PROCEEDINGS**

**WEDNESDAY, 6 AUGUST 2014**

**Brisbane**

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Committee met at 9.08 am

**FRASER, Ms Alex, Public Affairs Manager, Energy Retailers Association of Australia**

**O'REILLY, Mr Cameron, Chief Executive Officer, Energy Retailers Association of Australia**

**CHAIR:** Good morning everyone. I declare open the public hearing for the committee's inquiry into the Electricity Competition and Protection Legislation Amendment Bill 2014 and the National Energy Retail Law (Queensland) Bill 2014. I thank everyone for their attendance here today. I would like to introduce the members of the State Development, Infrastructure and Industry Committee. I am David Gibson, the member for Gympie and the chair of the committee. The other committee members are Mr Tim Mulherin, the deputy chair and member for Mackay, who will be joining us later; Mr Michael Hart, the member for Burleigh; Ms Kerry Millard, the member for Sandgate; Mr Bruce Young, the member for Keppel; Mr Rob Katter, the member for Mount Isa; and Mr Michael Crandon, the member for Coomera. The Parliament of Queensland Act 2001 requires the committee to examine the bills to consider, firstly, the policy effect given by the bills and the application of fundamental legislative principles. Today's public hearings will form part of the committee's examination of the bills. The hearing is being broadcast live via the Parliamentary Service's website and is being transcribed by Hansard. The hearing will conclude at approximately 10.50 am.

Before we commence, I would ask everyone to please ensure that they have switched off their mobile devices or placed them on to silent mode. For the benefit of Hansard, I would ask that witnesses state their name and the position by which they are appearing before the committee when they first speak and to speak clearly into the microphone. This hearing is a formal committee proceeding. The guide for appearing as a witness before a committee has been provided to those appearing today. The committee will also observe schedules 3 and 8 of the standing orders. I now welcome representatives from the Energy Retailers Association of Australia. Would you care to make an opening statement?

**Mr O'Reilly:** I would indeed. First of all, I would like to thank the committee members and the committee chair for the opportunity to make a submission today to expand upon our written submission on the National Energy Retail Law (Queensland) Bill 2014, which I will now refer to as the retail law bill, and the Electricity Competition and Protection Legislation Amendment Bill 2014, which, for ease of pronunciation and time, I will call the market monitoring bill.

The Energy Retailers Association of Australia represents organisations that provide electricity and gas to 10 million Australian households and businesses. We have 14 members who operate on the east coast of Australia as part of the National Electricity Market. Most of our members are privately owned and they vary in size from very large companies with over four million customers down to small, new-entrant retailers of around 20,000 customers. The ERAA strongly supports the implementation of the retail law bill and the market monitoring bill and we commend the Queensland government for proposing to pass the legislation well in advance of the start date of the legislation of July 2015. We believe that the early introduction of the legislation ensures that Queensland customers are appropriately informed of the proposed changes and that retailers can make the necessary preparations to enter the Queensland market and compete more for customers in South-East Queensland. We believe that the changes outlined in the legislation will ensure that Queensland energy consumers will enjoy the benefits of a more competitive energy retail market from the middle of 2015 while also being covered by a comprehensive range of consumer protections provided under the National Energy Customer Framework, which is created through the retail law bill.

In terms of the retail law bill, it will introduce a number of benefits for Queensland consumers. Of particular importance, the implementation of the bill will align Queensland with the National Energy Consumer Framework—the NECF—which has been developed through extensive consultation with stakeholders and is designed to enable consumers to have more comprehensive

consumer protections that cross borders. Those protections include measures such as hardship plans to aid customers experiencing temporary payment difficulties. With the passage of the legislation from mid-2015, consumers can be secure in the knowledge that they have a range of consumer protection under the NECF and an independent product comparison service provided through the Australian Energy Regulator's Energy Made Easy website. The ERAA has long supported a national approach to energy policy and regulation rather than state based regulation. This ultimately reduces the cost incurred by the industry. It allows competition across borders and also reduces costs to consumers by reducing the regulatory burden while ensuring that consumers have nationally consistent, comprehensive consumer protection because, ultimately, regulation has a cost to consumers.

I come to the competition bill, which I will call the market monitoring bill. The ERAA also supports the market monitoring bill, which is an important step in Queensland's energy market reform as it moves to a more competitive retail energy market. It should be noted that, in terms of retail gas price, these have not had regulated tariffs for a number of years. As an industry, we have supported monitored markets and deregulated pricing, because we believe that competition between competing energy retailers provides better outcomes for consumers. It provides them with more choice and a broader range of products.

Most South-East Queensland customers have already chosen to enter into market contracts. Indeed, 70 per cent of South-East Queensland consumers now sit on market contracts. The significance of moving to more price monitoring by the Queensland Competition Authority is that those consumers will have more choice of retailers to provide those market contracts, which will be monitored under this bill by the Queensland Competition Authority.

Consumers can also be assured that this model of a retail energy market and a National Energy Customer Framework have been implemented in a number of other jurisdictions and price monitoring has existed in Victoria since 1 January 2009 and in South Australia from 1 February 2013. Those reforms were implemented by Labor governments in those states.

It should be noted that Victoria has the longest experience of a monitored market, is the least concentrated retail energy market in Australia and that Victorian consumers have the most choice of retailers and products. Only yesterday I brought seven of my members who are active in Victoria, who have a lot of customers down there, to Queensland to talk to the minister about their intentions to enter Queensland off the back of this legislation. It is important to note that these bills mean more choice for Queenslanders. They mean more choice of retailers, more choice of products and they mean investment in this market. The industry is waiting for the government to pass this legislation and, by doing so well in advance of 1 July 2015, my members can make preparations to invest and really pursue consumers in South-East Queensland.

The experience of what we have seen in the Victoria market, as I have said, and the studies that we had done by Deloitte Access Economics, a copy of which is included in our submission, is that Victoria, compared to any other state, has the least concentrated market with the most choice of retailers. The so-called big three in the energy retailer market there have 70 per cent of the market and then a range of competing retailers have 30 per cent of the market. Other states with a longer history of regulated prices have a much more concentrated market. Also, Victoria has often enjoyed the highest levels of customer switching at some stage in the world, with one in four customers switching each year.

It is important to note that the ERAA also supports the importance of having consumers informed and engaged with the market. We are supportive of the proposed government information engagement programs to help consumers understand these reforms and the benefits that they can bring to them. This is an important step to make sure that they are aware of the offers available and the ways that they are protected by the National Energy Customer Framework enacted through the retail bill. Of course, retailers will also be very much spending money to make consumers aware of their choices in promoting their brands and products to ensure that Queenslanders are aware of the choice that they will have under this legislation.

Under the legislation, there is a retention, of course, of some important state based protections such as the Energy and Water Ombudsman Queensland and the industry supports this. We also support the continued delivery of concessions and rebates under the legislation. We believe that delivering rebates and other community service obligations are an effective way to distribute assistance in a period that we have seen of rising electricity costs and, in going forward, ensuring that disadvantaged consumers have support to help manage their energy bills.

We urge the committee to look at the benefits that will come from this legislation and, going forward, we urge that the committee be mindful of the fact that this legislation has the power to introduce more choice to Queenslanders, give them more choice over their energy supplier and more options in terms of their products. That, in essence, is what this bill is about. It is about consumer protections. It is about more choice of companies, more choice of products and investment by my members in Queensland in pursuit of more and more customers in South-East Queensland. That competition between those customers will help to discipline prices and ensure better outcomes for South-East Queenslanders going forward.

In terms of the rest of the state, I notice that it is the intention of the government to consider expanding competition beyond the south-east corner and, in time, we obviously support that measure. But for the time being, we understand that there has been a long-term approach of ensuring that there is a maximum uniform tariff in Queensland. We believe that it is the government's intention to continue with that and the industry is obviously supportive of the continuation of that policy. There would be ways in the future if potentially the community service obligations involved in the maximum uniform tariff could be managed in a different way to ensure, though, that competition would be possible and choice of retailers would be possible right across Queensland. We believe that choice of retailers is a good thing for consumers right across the east coast of Australia, including the whole of Queensland.

**CHAIR:** Thank you very much for that opening statement. I might lead off on the questioning because I want to pick up on something that you mentioned in your submission and I just want to tease it out. You recommended that the monitoring of the Queensland energy market be phased out unless it is proven to be of a net benefit. Could you just expand on that a little bit and exactly how we would identify that if we were to remove that monitoring component?

**Mr O'Reilly:** I think that the monitoring is obviously very important in the early days to ensure that consumers who are engaging with the market have the choice, that you see the range of products that are available when measuring switching rates and ensuring that the outcomes are being achieved. Over time, as people become more accustomed to this as a way of operating in the market and people are learning to switch, then you always have to review whether a regulation is necessary and whether the costs of doing that are achieving any benefits to the community. It is not an immediate priority, but it is just part of our emphasis on, 'Is regulation necessary?' It should always be kept under review. But as far as we are concerned, under the National Energy Customer Framework, consumers in South-East Queensland will have access to the Australian Energy Regulator's Energy Made Easy website that has been set up for other states and people can make a comparison of products on that site going forward. That will be there in perpetuity. It is not as if we are in any way afraid of product comparisons or monitoring the market; it is just a question of how it might be changed over time. But again, that is a matter for the government.

**CHAIR:** So just to be clear, then, you have no objection to the monitoring in the early phase, or the implementation phase, but it is a view that longer term it may not necessarily be required?

**Mr O'Reilly:** That is right. We certainly have no objection to it. We understand it. I think that it is important that consumers as far as I am concerned and the industry is concerned have confidence in the market and know where to go to see product comparison, have confidence that the competition is working for them. The QCA will be the appropriate body to ensure that there is that reporting on the market and that it is working and achieving the objectives that the government has set for itself in this legislation.

**CHAIR:** Okay. Excellent.

**Mr YOUNG:** Could you elaborate a bit more on the Victorian market? I understand that the Victorian market has been deregulated longer than any other and that you have 19 retailers down there but, as you said, the three big players still have 75 per cent of the market. Can you elaborate on that a bit more? Where are the benefits?

**Mr O'Reilly:** The 75 per cent is still not necessarily a constant. They could be varying all the time—who the customers are. Keep that in mind with the 25 per cent switching rates. Always in retailing it is a low-margin, high-volume game. So there are advantages and economies of scale. But there is always a switching between those customers, between those retailers. It is more by comparison. The 25 per cent are all people who have switched away from an existing player. So those companies that have 75 per cent started with more through privatisation and acquisitions. Just as in South-East Queensland, there was the acquisition of retailers through privatisation that left them with a high market share. Over time, it has shown that, as we have introduced a monitored market and there are more retailers in the market, the people who started maybe through

acquisition with the high market share through, say, privatisation tend to lose market share over time and more and more new entrants come in and start to pick off their customers.

There will always be a category of customers—and this is probably a lesson for Queensland from other states—who, for various reasons, choose not to switch. The important thing is that, if to a consumer electricity is not a big cost and they do not care, that is not a public policy problem. It is groups that perhaps can make savings from switching that you really want to get engaged in the market: lower-income groups, say, the elderly and people from non-English speaking backgrounds. That is where we see very important roles to ensuring that they have confidence in the market, targeted campaigns to get them to participate in the market and enjoy the savings that are available. The lesson of this is that, Australians compared to worldwide, have shown a propensity to switch. Victoria has only five years of experience of switching, but the evidence has shown that, if you can give the industry confidence that market monitoring is the way forward, a lot more players come into the market and the share of the bigger players tend to drop.

**Mr YOUNG:** Can I just go on from there and move to a different angle? You represent the retailers. I know that we are getting off track here, but it is relevant because we are talking about the future market. What are your thoughts on the emerging solar panels and the other things that come with batteries? What are your retailers' views on that, because they are undoubtedly going to pose a great threat on their longevity?

**Mr O'Reilly:** Indeed. There is no question that, for a start, it was given very much a kick-start by some very generous subsidies in the last few years. Now, it appears to have a life of its own. Of course, with the high retail price rises of recent times driven by such things as large network increases, the carbon price, some generous green schemes that helped to push up prices people started to see economically, as the price of solar panels dropped, an attraction to that. A lot of my members offer and continue to offer inducements to solar customers to sell their electricity back to them and sell it on to the grid. I would say that the best option going forward is, because the market is changing, there will be what are called prosumers—people who have distributed generation sold back to the grid draw on the grid sometimes. It is becoming a more complex market. Therefore, the capacity of regulation to manage this is going to get harder and harder. What we need is more innovation and we need retailers who may well target those types customers, but we also need retailers who help the consumers who are not able to access benefits like that.

**Mr YOUNG:** Agreed. Thank you.

**Mr CRANDON:** In talking about these 19 retailers down in Victoria, how stable has that been? Have there been a lot of them coming in in the last couple of years? The 19 who are there, have they always been there? Have any of them gone broke or decided to move out of the market?

**Mr O'Reilly:** There have been examples where particular retailers have built up a market share and have been acquired by an existing player. Most recently, Australian Power and Gas was acquired by AGL. Over the 10-year history of retail competition, there have been a couple of retailers that collapsed. Importantly, under the National Energy Customer Framework those consumers have access to what is called the retailer of last resort. Where it is clear that their retailer is in trouble, they are automatically transferred over to a new supplier without any interruption to their provision of electricity. There are those sorts of safeguards that exist in the industry. But on the whole, they were quite small companies and small instances that were managed quite well.

By nature what happens is that, if a new entrant comes in and is successful and a larger player sees an opportunity to acquire them, assuming that it is okay in terms of the competition framework and laws, then that can happen. Do you know what happens then? Someone says, 'Hey, I can make money by entering that market,' and then a whole new range of players come in. I monitor all the time the issuing of retail licences by the Australian Energy Regulator and I can assure you that, even in a market with declining electricity demand at the moment, there is still no shortage of players wanting to come into this market. It is just that I am seeing a bit more variation in the business model. More and more some retailers are just online only—very low cost to serve, very low cost of acquisition. That model is becoming more apparent. More recently I saw an example of a new retailer who is targeting customers who only have pools. They are very much aimed at a demand-management response. They will manage the operation of the pool so that it uses electricity in an off-peak way and that is their business model. So that is important. I think you will see a lot more different business models in the changing retail market that we have and more technology options and online options coming in.

**Mr CRANDON:** Just to be clear if I may, in the event 2015 comes along, they move into the South-East Queensland market, they go broke, the consumer is protected?

**Mr O'Reilly:** Correct.

**Mr CRANDON:** They are not going to lose their power supply? There is not going to be a bunfight over, 'Pay the bill before we flick you over?' None of those sorts of things?

**Mr O'Reilly:** I would say that this industry manages business failure better than any other industry. If it becomes apparent, the market operator—AEMO—has provisions for this and with the two examples that we have seen in the last 10 years, when it became apparent that the business was in trouble, it was not meeting its commitments and receivers were about to be appointed, overnight the customers of that retailer were transferred to what is called a retailer of last resort, which tends to be one of the bigger players that historically covers that area.

**Mr CRANDON:** At the same rate?

**Mr O'Reilly:** At the end of the day, the rate is then negotiated. Obviously, the retailer has to take on those customers.

**Mr CRANDON:** Sure.

**Mr O'Reilly:** There needs to be in some cases some discussion about whether there is extra cost to the new retailer taking them on. In the cases that have happened, in most cases, they have actually got the same rate and that has been negotiated with the government. But what it is, everyone accepts the notion in this industry of a retailer of last resort. So if you go to a retailer and for some reason—and let us hope this does not happen, but it does happen in other industries, let us face it—the business is in trouble, overnight you are not going to lose your electricity supply; it is going to be transferred to someone else. There will be continuity of supply.

**Mr CRANDON:** And it was exactly that with the telecommunications industry that I was asking the question, because a telecommunications retailer goes broke, Telstra turns the phone off, that type of thing. I was not casting aspersions on Telstra.

**CHAIR:** I am sure you were not.

**Mr MULHERIN:** I have a couple of questions. With people switching their electricity providers, is there any data on how often they switch or in Victoria is that limited by legislation that you have to sign up to a retailer for a minimum period? Is there any data around how often a consumer would switch in a calendar year?

**Mr O'Reilly:** I think there has been some sort of qualitative analysis. Ultimately, people can switch depending on what the contract says. Sometimes, as has been discussed, there are some disincentives to switch before the contract term is over, and that is normal in any contractual arrangement. But generally speaking there is a combination of people who switch quite often and some in that Victorian market who have never switched. As I said, that is not of itself a problem if people are not switching because they are not interested and electricity is a small component of their bill. There is the opportunity to switch and in many cases there may be some contractual disincentives to do that, but in many cases now some of the retailers—pretty much all of the retailers—are offering exit-fee-free products and one retailer does not have exit fees at all anymore. So there are very few barriers to switching. There is a cooling-off period, but it is a very easy industry to switch by comparison to banking and so on. So it is made very consumer friendly in that regard. I think the important lesson is that Queensland does have the experience of other states to learn from and, by passing this bill well in advance of the beginning of market monitoring and setting up a consumer communications program, it can learn from the other states and have a sort of late-mover advantage in ensuring that the right groups and the people who need the savings are well aware of those savings and have confidence in entering the market and making the savings.

**Mr MULHERIN:** You mentioned that there is qualitative data. Could that data be made available to this committee?

**Mr O'Reilly:** There were extensive reviews done of the Victorian market by both the Australian Energy Market Commission, which is very much the review body for the energy market funded by the states, and we can certainly provide information that went into some of the consideration of Victorian consumer behaviour. There are reviews that were done previously by the Essential Services Commission of Victoria. There are a range of studies that have been done of consumer behaviour of the market, both here in Victoria and in New South Wales.

**Mr MULHERIN:** That is my next question. What motivates the consumer to switch and what are they expecting from the new retailer?

**Mr O'Reilly:** It is very hard to differentiate electricity and gas. The evidence overwhelmingly is brand loyalty is quite limited. People are driven largely by price considerations. There is a

category of consumers who are driven by environmental considerations and there may be some who think, 'I'm not happy with the service I've got from the call centre and the back office arrangements and therefore I've switched because I haven't been happy with the service I've got.' But overwhelmingly I think it is pretty hard, as I said, to differentiate electricity. So it is a price based decision, so therefore what flows from that is when it is hard to differentiate the product and you have more players in the market you will have more price competition.

**Mr MULHERIN:** If someone wanted to get an electricity retail licence, what are the conditions that they need to satisfy the regulator to get that licence and do you see the emergence of, say, the grocery market with three big retailers in groceries operating in a deregulated electricity market nationally?

**Mr O'Reilly:** You are starting to see, for instance, a major telecommunications player has entered the electricity market. To date I have not seen evidence of the large retail companies doing it. I think that sometimes they might find their existing businesses a bit easier than ours, and our industry of course has a range of consumer protections that a lot of industries are not familiar with. But in essence certainly under the retail law bill that is coming in here the Australian Energy Regulator issues the retail licences. They do basic checking on the people behind it, the business and so on. But really the emphasis is on low barriers to entry. As I said, new licences are being issued all of the time. It is not a hard industry to enter, but when you do anyone who wants to needs to understand that there are a range of consumer protections that every retailer has to comply with and sometimes I think some people have not entered the market because they have not understood the comprehensive nature of consumer protections that exist in this industry.

**Mr MULHERIN:** You also said—

**CHAIR:** Hold on. I am just conscious of time. The member for Burleigh has a question.

**Mr HART:** Cameron, just on the switching side of things, you mentioned there were some exit fees involved possibly with some. Are there any entry costs involved? What sorts of costs are involved in switching?

**Mr O'Reilly:** As I said, it is price based competition, so very much the emphasis is that the retailers have the upfront cost to acquire the customer and that is then amortised over the length of the deal. So, no, you are not going to get people to switch if you are asking them to pay anything upfront. There is a range of inducements that often exist around things like direct debit, good record of payments and so on. That is nothing unique, because one of the things about this industry is—and it is something that needs to be considered long term—that it has historically been billed on a quarterly basis in arrears after three months of consumption. Therefore, you can understand why retailers offer incentives for people who pay quickly because it helps to manage the cash flow demands of the industry. So there will often be incentives offered upfront to access immediate savings if you offer someone certain conditions, but certainly, no, you are not going to ask someone to put their hand in their pocket straight up.

**Mr HART:** So how is the ownership of the meter dealt with? There would be some cost involved to someone if you do switch to—

**Mr O'Reilly:** Historically the metering in this country has been a monopoly of the network companies and there are metering charges that are part of the network charges and it has been historically the networks that have read the meters and provided that information to the retailer. There is a whole range of debates about whether that is the right model going forward and whether we should have more contestability in metering—and that is our view—but for now at the end of the day the meter has generally belonged to the network. It is not our asset.

**Mr HART:** Who pays the cost then if the meter is upgraded or a smart meter is installed?

**Mr O'Reilly:** If the meter was changed, then there would still be metering charges and that would be paid for by the consumer, as it always has been. But there is a debate about change of metering technology in that smart meters were mishandled in Victoria and forced upon the consumers and there was a backlash. Our view is that it should be a matter of choice going forward. There are advantages to the consumer in terms of smart meters in terms of immediate information about their usage which helps them to access off-peak electricity a lot more, more regular billing and accurate bills, because the old model of meter readers has often led to estimated bills which makes consumers unhappy. There are advantages, but places like New Zealand which have had a retailer led rollout of smart meters have shown that you have to turn a proposition that is advantageous to the consumer and bundle it in as part of the offer to them and they maybe have an incentive to uptake a smart meter.

**Mr HART:** So is the distributor then working with the—

**CHAIR:** I am conscious of the time.

**Mr HART:** Just on that, is the distributor then working directly with the retailer rather than the end user to upgrade?

**Mr O'Reilly:** With regard to the distributor, as I said, it is their asset and sometimes smart meters have been more available to business consumers rather than household consumers. But the distributor has always worked with the retailer in terms of the billing arrangement to the customer and we rely, for instance, on distributors for connection and disconnection. But that does not need to be the way it is done in the future.

**Ms MILLARD:** Mr O'Reilly, you have mentioned today and also in your submission that you would be willing to work with departments with regard to a communications strategy for retail offers. Perhaps you could just give us an indication of a couple of those main points that you feel would be appropriate.

**Mr O'Reilly:** My public affairs manager has been involved in that committee process. There is something already underway and it is not for me to reveal all of those discussions, but we have been emphasising that the important thing about customer communications is that there is a degree to which the industry will be spending the money themselves to get customers to switch but at the same time there is a role for public information campaigns and the government making people aware of regulatory changes and having the confidence to switch. We believe that targeting is always the best thing rather than going completely mass. These are our views. At the end of the day it is government policy. It is a government campaign and we will work with the government to achieve it. This is their legislation and we want them to achieve their objectives. In terms of passage of this legislation, which is all about outcomes for consumers in terms of more choice, more products and a comprehensive range of consumer protections, I am absolutely certain based on precedence from interstate and by the knowledge that I have of my members and bringing seven of them up here to have a look at the Queensland market that this bill will achieve its objectives.

**Mr YOUNG:** I could not let you go, Cameron, without mentioning your quote before. In terms of Ergon with its community service obligations when you said 'managed in a different way', I am keen to hear how you are going to do it.

**Mr O'Reilly:** Again, I do not want to delve into telling the government how to run its policy. That is simply outlined as part of the 30-year strategy as an objective, but the thing is that the subsidy has tended to be provided through the retailer. It could be provided through the network business of Ergon and if it is a portable subsidy—in other words, it does not matter who the retailer is for that customer but they are still getting the CSO—then the whole thing could not allow for competition if you wanted to.

**Mr YOUNG:** So what you are saying is—

**CHAIR:** We are outside the terms of the bill, but I will allow you to continue.

**Mr YOUNG:** So what you are saying is you hand it back to the distributor, not the retailer?

**Mr O'Reilly:** Yes. Again, as I said, that is a matter for the government, but I would have thought that there are ways this could be managed to ensure that all of Queensland has the benefits of choice.

**Mr MULHERIN:** Would the proposed legislation place any limits on late payments or exit fees that can be charged by retailers?

**Mr O'Reilly:** I sort of approach those two differently. In terms of exit fees, pretty much all retailers, as long as explained to consumers, will be offering some sort of exit fee free product and one particularly large retailer said we are not going to have exit fees anymore. So if there are choices there without exit fees, then it is pressure from the community and pressure from the market that will put paid to them.

**Mr MULHERIN:** Force the others to.

**Mr O'Reilly:** I see late payment fees as different because at the end of the day we already have a situation where people under the market structure tend to have three months credit, in many ways, and pay in arrears. The later and later payment means a bigger drain on the industry and all consumers pay for those who are late payers and why would you disadvantage those who are good payers by encouraging late payment? So I think it is reasonable compared to other industries that there is some disincentive to not pay on time.



**Mr MULHERIN:** How are these fees calculated for late payment?

**Mr O'Reilly:** They vary across retailers.

**CHAIR:** We are over time, but I am quickly going to allow the member for Coomera a short question.

**Mr CRANDON:** Thank you. In relation to reputation, you have 19 retailers down there. Unfortunately in the past the electricity retailers in Queensland have not had a good reputation for just doing things off their own bat in the best interests of the customer. Let me give you a quick example. We had to introduce legislation or regulation in relation to retailers telling consumers that they are coming to the end of their discount or contract period. In fact, I just got my letter the other day to tell me that I am coming to the end. But up until recently there was no notification whatsoever, so you come to the end of your period and then you went on. When I challenged them about this before the changes were made, they said, 'We don't have to.'

**CHAIR:** That is not a short question.

**Mr CRANDON:** We need to give some context. They said, 'We don't have to so therefore we don't do it.' That is about reputation. That is where we are at or where we have been at in Queensland. We want to see that change. What is the reputation of the retailers in Victoria, as an example, in relation to that sort of thing—doing things for the best interest of the client even if they do not have to?

**Mr O'Reilly:** It is a saying for half of my industry that we obviously as the dealing agent for the whole value chain have worn the flak for a lot of things like smart meters, which we did not cause, in Victoria. We have worn the flak for carbon taxes and green schemes which we did not actually initiate—they were government policies in Canberra—and we have actually worn the brunt of network based price rises. So I am not surprised that overall the industry has had a bit of a reputation hit in recent times. But the important thing is I think that the dynamic of competition will ensure that if you have more choice of retailers and people have less security about their customers they are going to be a lot more focused on their relationship with them and about the reputation they have with them. There has always been a category of smaller, new entrants that really just focus on a category of the market and they really want to work them hard and have a good reputation with those customers. Coming to your issue of prior notifications and so on, there is a range of protections about price change notifications and how often they can be made included in the retail bill. So that is part of this comprehensive consumer protection framework that is included in this legislation.

At the end of the day, if you look at electricity prices the generation cost is determined by the wholesale electricity market. The network charges are determined by the Australian Energy Regulator. Longer term I think a lot of state governments have seen that they have been bearing responsibility for retail prices which they have had very little chance to control. Let the industry compete. Discipline the prices. If things we do are not acceptable to consumers or to you, you will say so and we will cop a lot of reputational damage in the papers and so on. Let the market discipline this industry. Stop taking responsibility for something that a lot of the time state governments gave away control over a long time ago.

**CHAIR:** I am conscious of the time, but I do want to pick up on your statement towards the end. It is fine to say 'let the market discipline the industry', but when we are dealing with an essential service like electricity if the market fails then there are some severe consequences. I want to pick up on one very quick point. We heard evidence when we had the departmental briefing with regard to notification of increases in prices that someone could find out at 5 pm on Monday their price increase will occur on Tuesday morning. From an industry perspective, do you have any objection to a mandated period of time, whether it be seven days, when the electricity bill is sent through for that notification of a price increase so that people in an informed manner can make a choice to switch or to allow the market to react to those price differences?

**Mr O'Reilly:** As I understand it, there are provisions in the retail bill about price notification changes, but at the end of the day I will come back to it: this is the biggest consideration for consumers and any retailer who is not careful in managing how they notify their customers about price changes, and if they do so in a way that will make them unhappy, the best thing is to give them a lot of choice to leave that retailer and go to another one who handles that process better.

**CHAIR:** I am conscious of time. Thank you very much for your appearance before the committee.

**O'NEILL, Mr Michael, Chief Executive, National Seniors Australia**

**SEDMAN, Mr James, Policy Adviser, National Seniors Australia**

**CHAIR:** We will certainly give you guys some additional time. Would you care to make an opening statement?

**Mr O'Neill:** Thank you for the opportunity to provide a statement to the committee. National Seniors is the largest organisation representing Australians aged 50 and over, with around 200,000 individual fee-paying members nationally and 80,000 Queensland members. We provide a range of information and representation to older Australians and seek to contribute to public debate and community consultation where appropriate. We also receive no government funding so we are independent of government completely. I indicate at the start that I will be seeking leave to table a number of documents in support of our key points. I understand that I am required to say that early on.

National Seniors supports the transition to price monitoring and the development of competition within the Queensland retail electricity sector. However, the key to a successful transition is to create an environment which empowers consumers to be informed in their decision making and has adequate safeguards for consumers in an unbalanced market power situation. Informed consumers: there is a clear link between uninformed consumers and lack of engagement in electricity markets. Recent data from competitive electricity markets indicate that those aged 40 and older are more likely to remain on the standing offer. Older consumers are less likely than young consumers to shop around and engage with the market, and as a consequence are more likely to miss out on the benefits of competition. I table a document called 'Tariff Switching among Older Energy Consumers' produced by the Consumer Utilities Advocacy Centre.

**CHAIR:** Leave is granted.

**Mr O'Neill:** Lack of information and understanding, lack of trust and reputation and risk aversion strongly influence consumers away from fully engaging in the market and limit the ability of consumers of all ages to benefit from competition.

Absence of adequate consumer protection measures: unfortunately, there is, in our view, an absence of adequate consumer protection in these bills. Precedent from other jurisdictions which have already adopted the national rules and/or have extensive competition within their state electricity markets indicate that providers will seek to utilise complex contract documentation including misleading descriptions and featuring heavily discounted but unsustainable introductory offers. Such practices will expose all consumers to a level of risk previously not experienced in the Queensland market. It has the potential to increase bill shock, financial hardship and disconnection. The absence of adequate consumer protection measures in the bill is concerning given the precedent of the retailers concerned using aggressive sales techniques including ignoring 'do not knock' signs when attending at households, particularly of older Australians. I seek leave to table a media release reporting on such an incident.

**CHAIR:** Leave is granted. It may be easier to give them all at once. Which documents in that pack have you tabled?

**Mr O'Neill:** There are two so far.

**CHAIR:** Just tell us every document that is in that pack and we will table it.

**Mr O'Neill:** So this one is the energy market contract. That is three. The 'do not knock' is the one I just alluded to. Copies of the current bill and a media release from the Consumer Action Law Centre.

**CHAIR:** Leave is granted.

**Mr O'Neill:** I apologise for the confusion. The current billing practices of Queensland retailers include providing unclear billing documentation. I have tabled the reference to an account which I have to reveal that consumers in my office, including several of my esteemed policy staff, struggle to understand the meaning of it. In particular, I have to put my hand up that it is my account and I could not understand it. So I suggest it is not an easy thing for consumers generally to deal with. We note using a seasonal comparison, for example, is much inferior to the more monthly historical record.

Specific issues: there are several specific issues. We caution relying on the protections provided by the national energy laws and rules. National Seniors suggest caution in relying on the protections provided by the national energy laws and rules as they themselves require

improvement. For example, the rules allow electricity providers to increase the price of electricity at any time within so-called fixed contracts. Fixed contracts do not mean fixed contracts as the ordinary person would believe to the detriment of consumers, they mean a freedom to increase prices at will within the contract. This novel explanation of a fixed contract is buried in the small print of a complex, lengthy agreement. I draw your attention to fixed contracts with mobile phones, for example, where they cover term and price which is what the ordinary interpretation of a fixed contract would be rather than what the electricity industry is currently using elsewhere. Unfortunately, this approach has been recently confirmed by the Australian Energy Market Commission's draft rule determination. It is suggested this says much about the shortcomings of consumer protection in this area and reinforces the need for caution by the Queensland government in signing up to such an approach without adequate consumer protections being in place.

In addition, the two key consumer empowerment features of the national rules—one, Energy made Easy, independent comparison website and, two, the accompanying energy price facts sheet—require improvement. The facts sheets do not list all fees and charges. For example, printed bill fees are not captured under the fact sheet template. That is, if you get a printed bill, as many older Queenslanders would, they will be charged extra. That is not revealed in the fact sheet, and I think that is an important piece of information people should be entitled to. These additional fees and charges are only contained within the offer, large and complex contract documentation and remain hidden from consumers. The comparison website will not be accessible for many seniors and others in the community who are either not computer literate or do not have access to same.

We would strongly urge seniors particularly but consumers generally to engage with the market and have access to the benefits. There must be adequate consumer protection measures certainly beyond what is proposed in the bill. It is disturbing that the legislation has advanced to this point without adequate regard for consumer protection measures being incorporated in the legislation.

At a minimum the bills must be amended to include the following fundamental consumer measures: minimum notification periods—and I notice that you have dealt with that issue previously. We understand it can be as simple as a text message overnight to inform people that their price is going up. That really is inadequate. A cap is required on termination fees to avoid consumers being unfairly locked into electricity contracts. Unregulated termination fees will limit the ability of consumers to change providers, limiting competition. We understand termination fees still apply in other states, in Victoria in particular.

Restrictions on late payments: those experiencing hardship should not be punished for late payment of accounts, particularly for older Queenslanders. For people living on fixed incomes, there will be occasions where they will struggle to deal with charges of this kind so we would encourage the committee to give consideration to that.

There is a negative impact on residents of retirement villages and manufactured homes. This is a group of consumers. Unfortunately, the current bills will disadvantage vulnerable folk including seniors. It is likely that those living within retirement villages and manufactured homes will face higher electricity costs with no access to competition while also receiving limited access to concessions and a lower standard of consumer protection than consumers connected directly to the grid. This anomaly existed as many residents of retirement villages and manufactured homes have no direct connection to the grid and purchase electricity from the park owner through an on-selling agreement so they will potentially miss out.

National Seniors have suggested a range of approaches to improving consumer protection in these key areas in our submission. In addition, any proposed amendments to the concessional framework should be considered concurrently with the introduction of the legislation. This is the concessions provided by the government which we know were the focus of attention earlier in the year. Certainly concessions are of even greater importance given the proposed price regime.

Given the number of and complexity of consumer issues associated with the transition to price monitoring and competition, we strongly recommend that the committee encourage consideration of a ministerial consumer advisory committee to oversight the implementation of these changes.

Finally, as a sidenote, given the comments of the previous speaker we have been disappointed with the proposed awareness campaign and communication strategy. We would urge a senior specific approach to creating awareness and educating seniors on the proposed changes including guiding seniors on how best to engage with the market to ensure they have every

opportunity to benefit from these proposed changes, given, as I said at the start, we are broadly supportive of the competition approach.

**CHAIR:** Thank you for your statement. As a national organisation you obviously are very familiar with what happens across other states. I note your concerns about the absence of consumer protection. I want to pick up on the issue of advance notice of price changes. Could you inform the committee in other states whether that is a requirement, particularly in either South Australia or Victoria where they have adopted the changes?

**Mr O'Neill:** I will ask my colleague to go through that detail for you.

**Mr Sedman:** I cannot quote the actual requirements themselves but my understanding is that in other states the advanced notice is a requirement. I cannot say how many days that is. I can get back to you on notice.

**CHAIR:** If you would care to take that question on notice and come back to the committee, that would assist us greatly.

**Mr O'Neill:** Certainly we have been informed a lot by our members in Victoria who have been quite active in this space since the implementation of the changes down there and perhaps an unhappy experience for them generally in terms of information and a breakdown between the industry and consumers.

**Mr Sedman:** Regardless of the outcome of that research, advance notice has to be more than just the night before. That is completely unacceptable for our members. If in fact they receive advance notice, they can actually plan. They can be given time and the opportunity to budget and they will not fall into hardship, which is another issue being raised today.

**CHAIR:** Thank you. I will open it up to other members. I call the member for Burleigh.

**Mr HART:** Michael, your submission calls for a template invoicing system. Do you think there needs to be a complete template or just a part of it that may be standardised? I struggle with my bill sometimes, especially when I change retailers.

**Mr O'Neill:** I am pleased I am not alone.

**Mr CRANDON:** Most of the committee struggle with their bills.

**Mr HART:** I just want to know from you whether we need a whole template or just part of it.

**Mr O'Neill:** I think it is part of it. I think it is about giving a real clear message to people and ensuring that they have that chance to be informed. We do have, as you know, across the community folk of all capacities. I have to say that requires good, simple, straightforward information, and it might only be for part of the account. When I got my electricity bill—if I share that with you—it came at the same time as the gas bill. The gas bill seemed to me to have a good template—and you have this amongst your material—of this monthly shift, the bar graph. I understood that. It was simple and straightforward to me. I could work out that I had not shifted or that I had gone up slightly, as the case may be, whereas with electricity one I was completely lost. I think it is that good, sharp, simple, direct information that people would benefit from most.

**Ms MILLARD:** Mr O'Neill, with regard to your concerns with manufactured homes, I have been quite vocal in my area about that, and I know we are not looking at that act specifically. But have you been talking to Minister Mander about your concerns around the connection which is not directly to the grid in the older parts?

**Mr O'Neill:** We certainly have had submissions and conversations with the minister or particularly his office about the issue. I guess that has been an ongoing thing for us. We have also had the benefit of some experience in Western Australia, where we had a very vigilant member who was in a retirement village and they had missed out on access to some concessions on their electricity bill, as I recall, because of their presence in the retirement village. The Western Australian government eventually shifted position on that and provided a means for them to access a benefit. So we have been well informed by particularly his experience there and the experience of Western Australian consumers generally in that space.

**Mr Sedman:** Just adding to that, I think potentially these bills should deal with all energy consumers. We should not have other pieces of legislation out there dealing with electricity when they can all be incorporated in one piece of clear legislation, which is my preference.

**Mr MULHERIN:** You have suggested more frequent billing cycles to allow seniors to pay smaller bills which are more affordable so they can budget better. What is the smallest billing cycle that you are aware of in any state?

**Mr Sedman:** I believe there are definitely offers of fortnightly. I do not think there is a weekly offer currently available in other states and territories.

**Mr O'Neill:** Given technology and its capacity to spit a bill out regularly, I would not have thought that would be a major issue. Monthly certainly would be I think a minimum that we would be looking for.

**CHAIR:** Just to pick up on that, isn't that counter to what you were saying earlier though about older Queenslanders not embracing technology? If you are spitting it out, invariably you are probably doing it via an e-bill.

**Mr O'Neill:** But I am suggesting there is no reason why they can't spit out a printed bill as well.

**CHAIR:** Surely that cost would be higher if they are doing it weekly, and that cost would be passed on.

**Mr O'Neill:** In terms of a monthly account, if that is an option that people are seeking—I am not supporting weekly. I am saying a minimum would be a monthly opportunity.

**Mr MULHERIN:** Ideally fortnightly you were saying.

**Mr O'Neill:** I think that is an option for people to consider. People budget in different ways. We have folk who budget extraordinarily well down to the cent and will go without to make sure they live within their pension allocation. That I think is a generational thing. Others will struggle a little bit and the unexpected hit of the washing machine breaking down or whatever the case may be is the thing that impacts most. Within that monthly regime you have perhaps a better chance to manage your circumstances.

**CHAIR:** Just to pick up on budgeting, I will use my father as an example here. I know that he has a Centrepay arrangement. Every fortnight an amount from his age pension goes across. He does not need the bill to do that. What happens is he gets a pleasant surprise at the end of one cycle where he is a few dollars up and then at the end of another cycle he is down a bit and he trots into the post office to fix it up. Surely that budgeting issue can be picked up without necessarily the billing cycle being in place.

**Mr O'Neill:** It is great that your father operates that way. My sense is that for many of our folk the preference is or their approach to these issues is or their thinking is that they want to know how much it is.

**CHAIR:** They want to physically see the bill. I get that.

**Mr O'Neill:** They need to see it.

**Mr CRANDON:** Following on from that, my colleague just made the point that I was going to raise with you that you are arguing two sides of the coin if, if you like. On the one hand, you do not want people to have to pay more for paper bills. But, on the other hand, you are saying you want more paper bills to be sent out to your 'folk', as you describe them. You want the retailer to wear the cost. Ultimately guess who wears the cost? The rest of society. It is not going to be the retailer. It is the rest of society. It is going to be factored in. So there is a difficulty there.

The other point is that these people also want to have their meter read when they get that bill. Remember you said that a little earlier in terms of this concept of a guesstimate of the bill. Do we read the meter every month as well as send a paper bill? You are arguing, I think, along a line that is just adding further cost to the retailer, but you do not want your members to bear that cost. You want the rest of the society to bear that cost. I would like you to make some comment on that, if you would—fair is fair, in other words.

**Mr O'Neill:** I think if you want to apply that kind of logic then you can apply it anywhere across the community. I think to narrow it down and say that group needs to specifically look after and pay for all of their own interests without regard to the rest of the community is a very narrow view. Sorry, what was the initial point about? I am a bit lost.

**Mr CRANDON:** On the one hand, the chair's father is happy to flick \$20 a fortnight, or whatever it is, along to his electricity retailer and the electricity retailer is happy to get that income early. If all of your folk that you represent were happy to do that—

**Mr O'Neill:** I think you represent them, too.

**Mr CRANDON:** Yes, I do.

**CHAIR:** Can we—

**Mr CRANDON:** Be careful, Michael.

**CHAIR:** Member for Coomera, can we just get to the question?

**Mr CRANDON:** It is your folk that we are talking about here. They are part of my constituency but they are your folk. I am throwing the challenge out to you. You are saying that they do not want to do it that way. They want to do it the other way but they do not want to pay for it the other way. I just want you to respond to that.

**Mr O'Neill:** What I said in answer to the chairman was that there was an option there that people should be able to receive their bills on a monthly basis because it would assist them with their budgeting processes. That is the reality for people who live on a fixed income.

**Mr CRANDON:** Yes, but you are saying—

**CHAIR:** Allow him to answer.

**Mr O'Neill:** Electricity is an essential service and people are entitled to have access to that. They are entitled to have access to it on a reasonable basis. They are entitled to, I would also suggest, have some support in terms of their dealings with large multinational companies. The balance of power between those two interests is quite unbalanced. In that regard I believe there is an entitlement for those companies to support, with additional charges if necessary, those consumers who are on concessional arrangements. They should wear it.

**CHAIR:** I am conscious of time. I am going to go to the member for Mount Isa.

**Mr CRANDON:** But 'with additional charges if necessary'. I am sorry, Chair.

**CHAIR:** No. Otherwise—

**Mr CRANDON:** That is not what you are saying here.

**Mr O'Neill:** You are saying additional charges in terms of—

**CHAIR:** Member for Coomera and Mr O'Neill, thank you. I call the member for Mount Isa.

**Mr KATTER:** I am not really familiar with card operated meters, yet you express some concern about the definitions of protections associated with those.

**Mr Sedman:** Which part of our submission are you reading from?

**Mr KATTER:** I hope it is in your submission.

**CHAIR:** Is it QCROSS?

**Mr KATTER:** I have jumped on to the next one, I am sorry.

**CHAIR:** Thank you, member for Mount Isa, for your enthusiasm. QCROSS are now geared up. We will wrap up quickly. I call the member for Keppel.

**Mr YOUNG:** I will just make a quick statement, Michael, if I can, without getting away from the policy objectives of the bill. Can I just say that your group needs to engage with the providers and say, 'Hey, mate, we need a more consumer-friendly billing arrangement.' That is your role.

**Mr O'Neill:** Yes, happy to.

**Mr MULHERIN:** Have you done any research amongst your members in the south-east corner to find out how many of them are on the regulated tariff? Do you know what percentage of your membership are on that tariff?

**Mr O'Neill:** No.

**Mr MULHERIN:** The question I was going to ask was: are they more adversely affected if they switch to another retailer? Is that why they have not used another retailer that is currently available?

**Mr O'Neill:** I think our members generally and older Australians generally do not shift. For example, our experience with them in terms of offering telephone plans was that we sought to develop a relationship with a company other than Telstra and the interest of people shifting was minimal because they have a comfort factor there. It is the same with banking arrangements and similar things. I would suggest that electricity is probably going to fall into the same category. They are comfortable. They do not want the risk. They do not want the challenge of it. They feel confused by the documentation and everything else involved in a shift, so they choose not to.

**Mr MULHERIN:** What percentage of your membership have internet access?

**Mr O'Neill:** Nationally we can reach about 40 per cent.

**CHAIR:** I will wrap up on one final point, picking up on your issue with regard to late payment fees. Obviously those of your members who are within the south-east corner will be given the opportunity for greater flexibility and choice. At this stage that is not playing out to the rest of Queensland. But those outside will be protected under standard retail contracts because they will not have the ability to have a late payment fee. I was a little concerned where you made the comment that those who were on hardship provisions could incur a late payment fee. I might be jumping ahead to QCOSS here as well, but I thought there was something about concerns in that area. So it should be prohibited for concession card holders and those consumers on hardship plans. Would that be a large percentage do you believe?

**Mr O'Neill:** Certainly not of our members.

**CHAIR:** It seems that we could be targeting the most vulnerable here.

**Mr O'Neill:** That is right.

**CHAIR:** Excellent. Thank you very much for your time. We appreciate both your submission and the material that you have provided to the committee.

**Mr O'Neill:** Thank you.

PROOF

**ALLEN, Ms Carly, Team Leader, Low Income Consumer Advocacy, Queensland Council of Social Service**

**MURPHY, Ms Karen, Senior Manager, Media and Communications, Queensland Council of Social Service**

**CHAIR:** Thank you very much for coming forward. Would you care to make an opening statement?

**Ms Allen:** Thank you, Chair and committee members, for the opportunity to appear here today. I am going to read a short statement to summarise some of our key views and positions relating to these bills. Electricity differs from many other regulated industries as it is an essential service that households use on a daily basis. Electricity is essential for lighting, hot water, food preparation, washing, cleaning, communications, heating and cooling, and having access to these things supports people to participate in employment, education and social interaction. All Queensland households require a daily supply of electricity to meet their basic needs and it is, therefore, critical that the energy market is inclusive and accessible to all. Our focus in attending this hearing is to provide a voice for low-income and disadvantaged households in the context of energy market reform.

The energy market is growing in complexity and there are many complex issues being considered here today. We all need to participate in the energy market. However, many low-income and vulnerable people face a number of barriers to engaging in the energy market due to language and cultural barriers, low literacy and numeracy, disability, affordability and financial barriers, and a lack of access to the internet and affordable mobile phone services. Many of those people are already struggling with the rising costs of their energy bills. For this reason, it is important that the reforms outlined in these bills do not result in worse outcomes for vulnerable people.

There are two elements of the bills that QCOSS would like to address today. One is the implementation of the NECF and the other is the removal of the price regulation in South-East Queensland from 1 July next year. Firstly, QCOSS supports the implementation of—I should call it—the National Energy Customer Framework, or NECF, in recognition that it is an improvement on the existing customer protections for residential energy customers across the state. For example, one of the benefits of NECF is that it will provide access to the Australian Energy Regulator's Energy Made Easy website and phone line. Timely access to those resources is essential for consumers to be able to benefit from price deregulation.

It is QCOSS's view that the modifications to NECF that have been made to date could be further strengthened by simplifying the terms and conditions of contracts to help people more readily understand what is on offer and give them the confidence to make informed choices. As touched on by National Seniors, it is very confusing that the price can be increased during the term of the fixed-term contract. This is confusing not only to low-income people but to all consumers, many of whom have a limited understanding and comprehension of how the energy market works.

On the issue of price deregulation, we believe there is a need for consumers to be much better prepared in advance. The removal of price regulation can only result in better outcomes for people if they are sufficiently informed to be able to compare offers and make informed choices that then encourage retailers to compete for their business by offering better services and prices than their competitors. Many consumers are currently unable to do this because all the existing independent information sources in Queensland require consumers to have access to the internet, to have English skills, to have literacy and numeracy skills, and to have sufficient capacity to understand what can be very complicated information. The introduction of NECF will assist some consumers better prepare themselves for price deregulation, as it will provide access to the Energy Made Easy website and phone number. However, there will be some lead time required to promote these resources and to get consumers using them before they will be equipped to navigate a deregulated market with confidence.

It will also be necessary to establish a safety net for consumers who may not have the skills or access to Energy Made Easy resources. This is essential to ensure that our most vulnerable Queenslanders are not left behind. We consider that this safety net has two aspects: firstly, to provide tailored information to low-income and disadvantaged people through a face-to-face program that can explain how to read a bill, what the variables and charges are, and whether there might be a better offer available for their circumstances. The second part of the safety net is ensuring that the concessions framework is able to provide equitable and adequate support to those who are most in need. This will require some structural changes and improvements to the targeting



of those concessions. We consider that this will need to be addressed and implemented before price deregulation comes into effect. Again, thank you for this opportunity.

**CHAIR:** I know the member for Mount Isa has a question. We might kick off with him.

**Mr KATTER:** It just struck my curiosity, because I happened to run across card operated meters and I have read through some of the things you have said about those here. You had expressed some concerns about that. Can you elaborate on that, please?

**Ms Allen:** We have done a bit of research in this area. We have a report, which is not actually public yet, but we have discussed the findings of that research with the department. The card operated meter communities sit outside a lot of the consumer protections, so there is a chapter within the NECF that covers prepayment meters. However, because these are remote communities the technology is not up to the standard of what the NECF assumes and it is not really covered. So there are those communities where it is necessary to have stronger consumer protections. We noted, as well, that there was going to be a review of the rebate agreements with Ergon Energy to ensure that card operated meter customers were paid their concession entitlements, which they have not been. The government has recently changed the government gazette to actually confirm that those people are eligible for the electricity rebate, which is a good outcome. We look forward to working with the department on making sure they get access to those concessions.

**CHAIR:** You mentioned a report. Would it be possible to provide that to the committee? We could treat it in confidence. Are you willing to do so?

**Ms Allen:** Sure.

**CHAIR:** Thank you very much for that.

**Mr KATTER:** You were talking about remote communities.

**Ms Allen:** Yes.

**Mr KATTER:** This bill mainly deals with the south-east corner.

**CHAIR:** Yes, it is South-East Queensland.

**Mr KATTER:** I know Doomadgee has the card system.

**Ms Allen:** Doomadgee, I don't think, has the card operated meters. I am talking, I guess, about the NECF side of things, which is the whole of Queensland. Those consumer protections: we are talking about regional customers for that aspect of these bills, as well. A lot of the protections around billing and payment plans and hardship programs assume that people get billed for their electricity, whereas we know those customers go to a shop, they buy a card, they put the card into the meter and that is how they obtain their electricity. There are some differences and additional consumer protections required there.

**CHAIR:** To be clear for the committee's benefit, within South-East Queensland there are—

**Ms Allen:** There are no card operated meters.

**CHAIR:** Are you aware whether, in other states where they have made these changes, a provider has come in solely on that? I am drawing the comparison to mobile phones where some providers only focus on a prepaid product. Have we seen that in other markets where, potentially, as a result of the deregulation, we could see a retailer come in solely focusing on a prepaid product?

**Ms Allen:** There are prepaid meters in Tasmania, I know, quite commonly. I do not think they are actually permitted in Queensland at the moment with the exception of those remote communities where they are already installed.

**CHAIR:** I will pick on the theme that I have certainly been asking about with regards to the late payment fees and those on hardship plans. Clearly, a large part of your base would be people who are in that area. They have done the right thing and they have engaged in a hardship plan, but then potentially are exposed to late payment fees: what are your views on that?

**Ms Allen:** It was not my understanding that hardship customers could be charged late payment fees. Certainly that would not be conducive to actually assisting them to get out of hardship, which is the purpose of a hardship program. Late payment fees for those customers would just be exacerbating that situation and I do not think that is in the customer's interests or, necessarily, in the retailer's interests, because they want them to get out of hardship as well. In terms of the fees and charges more generally, we think that streamlining and simplifying it for customers and standardising some of those levels of the amounts that can be charged for different fees is an important aspect to help people feel confident, that they understand and they are not

going to get tripped up by a fee or charge that they did not quite understand or that was buried in documentation that they did not read or could not comprehend.

**Mr YOUNG:** A lot of the stuff that you are suggesting harks back to public awareness and the message. That came out when we spoke to the seniors group. I know this is not policy, but understanding your billing documents is where the work needs to be done.

**Ms Allen:** Yes, absolutely. Up until recently there was a Commonwealth program, the Home Energy Saver Scheme, which was an in-home energy audit and energy advice program that provided face-to-face information to people. They did run through the bill, they explained things, they pointed out different appliances in the home, they saw how people were using energy in their home and they provided that real hands-on assistance. That style of program, I think, is what really speaks to low-income and disadvantaged people, rather than a web based resource or other forms of communication.

**Mr MULHERIN:** National Seniors said, when giving evidence, that only 40 per cent of their membership has access to the internet. I imagine people on very low incomes and hardship probably do not have that access at all. What sort of hardship arrangements are currently offered by retailers to people who are struggling to pay their bills?

**Ms Allen:** At the moment in Queensland there is the payment plan, allowing people to pay off an energy bill over time is a requirement. But it is not actually an explicit requirement that retailers in Queensland have a hardship program as such. It can involve referrals to financial counsellors and referrals to energy auditing services to help them pay their bills. That is something that the introduction of the NECF in these bills will actually provide and improve. For Queensland customers, there is actually a review being undertaken at the moment by the Australian Energy Regulator about how different retailers are providing hardship assistance to customers. There is not a huge amount of transparency. What I know of what retailers are doing basically comes from feedback from the community sector who are calling retailers often on behalf of low-income people. They have a bit of a sense of what different retailers are doing in this space, but it is not explicitly a requirement and it is not standard across the different companies.

**Mr MULHERIN:** Are the hardship programs on offer in Queensland from the retailers roughly about the same? Is there any one that has—

**Ms Allen:** No, there is definitely variation. The community sector, because they deal with the energy retailers on behalf of their low-income clients, often are very aware of which retailers they think are good in this space and which are not so good. That is not necessarily transparent publicly, though. It is not necessarily going to be something where a customer is able to make a decision based on the quality of a hardship program. They can have a page document outlining their hardship policy, for example, but often hardship assistance is about who picks up the phone in the call centre when you call and how they actually engage with you, their level of empathy in talking to people who are sharing information about the fact that they are struggling with bills and how they respond to that. It is difficult to standardise that.

**Mr MULHERIN:** How do you improve that?

**Ms Allen:** By working with retailers. There is a certain amount that you can regulate and I think the NECF will improve the regulation around this. Working with retailers and actually being open about what actually works well in some retailers and what does not in others, and bringing all of the retailers up to the standard that their community expects. I think there is a disparity between some of the more well established retailers compared to some of the smaller, more recently established retailers.

**Mr MULHERIN:** Whose responsibility is it to work with the retailers: is it government, is it QCOSS, is it National Seniors?

**Ms Allen:** It is a bit of a shared responsibility, I guess. There is no-one who takes complete ownership of this.

**Mr MULHERIN:** Is that where the problem lies?

**Ms Allen:** Yes, potentially.

**CHAIR:** Member for Coomera?

**Mr CRANDON:** Thank you, Mr Chair. You do not support a charge for late payment fees and neither do I. I agree with you wholeheartedly there. Many of the retail offers that are available to us at the moment in South-East Queensland offer a discount for on-time payment. Are you supportive of that?

**Ms Allen:** Yes, as long as it is clear that it is a conditional discount when you sign up.

**Mr CRANDON:** So it is a discount for on-time payment. Of course, if you are not on time means, turning it around, it is actually a late payment fee. However, you are comfortable with the fact that it is up-front: 'We will give you a discount if you pay on time, but if you do not pay on time it comes back up to the full rate'. Are you okay with that?

**Ms Allen:** Yes. Often you might then have a late payment fee on top of the loss of the conditional discount, which is a duplication of a punishment for not paying.

**Mr CRANDON:** Yes, I am with you on that.

**Ms Allen:** I think with those conditional discounts, as well, it is important that it is clear that they are conditional on paying on time, because the people who traditionally do not pay on time are the most vulnerable people in our community.

**Mr CRANDON:** Exactly right. They are the most unsophisticated, as well, more often as not, as far as their understanding of these things, so it really does have to be very clear, doesn't it?

**Ms Allen:** Yes. And it is a bit concerning when I hear the committee members talking about the fact that you might not understand these things yourselves, because low-income and vulnerable people are far more disempowered, they have a much lower ability to comprehend this information and much lower education levels. They really need that extra additional support to bring them up.

**Mr CRANDON:** That was the point that we made in our conversations with the department. We were making the point that there is a broad unsophisticated marketplace out there that does not understand it. We had the conversation around how confused we were with our bills; most of us, anyway.

**CHAIR:** Member for Burleigh?

**Mr HART:** You were here for the information that National Seniors gave us?

**Ms Allen:** Yes.

**Mr HART:** I took it that they were indicating they would like to see bills showing real electricity usage on a more regular basis. They were talking about once a month or once a fortnight, perhaps leading to real time, real usage type information. Is that something that you think would benefit low-income earners?

**Ms Allen:** I think more frequent billing does definitely have a benefit. It is the three-month stretch of using electricity without having any sort of indication what the cost is that can really shock people and create that bill shock. I know that some retailers are offering monthly billing where they have sophisticated programs that estimate what your usage might be. So we are fully supportive of more frequent billing. I understand obviously that there is a cost if you were to send out paper bills or do meter reads there may be ways around that. There are certainly opportunities to—

**Mr HART:** Would you support the introduction of smart meters?

**Ms Allen:** I think that they do create that price signal for people, particularly if there is an in-home display or something that people can actually look to and refer to. In terms of the rollout of smart meters, I think that is something for the government to consider.

**Mr HART:** Is a simplification of the bill and having a clear indication on the bill a good idea?

**Ms Allen:** In relation to the bills we know that there is a lot of information on there currently. Often the more information that you have, the more it overwhelms people. A lot of the feedback we have had is that people just look at the due date and the price, and that is about the extent of it.

**CHAIR:** Like me.

**Ms Allen:** In terms of what you put on the bill, I think there are probably consumer behaviour experts who can look at the best way to present that information so it really cuts through to people. Low-income people generally are not reading every word of their bill. They are overwhelmed by it.

**CHAIR:** I would go further and say it is not just low-income people. I think a lot of people would just look at the due date and the amount and go, 'That's gone up. I don't know by how much, but I know that I only paid X amount of dollars last time.'

**Mr MULHERIN:** How much are the typical late-payment fees or early termination exit fees you mentioned in your submission?

**Ms Allen:** I know that the early termination fees—and I might have to double-check that this is correct—can vary quite widely. An early exit fee can be over \$100, for example, or it could be

\$20. Having such a disparity between the amounts that these fees can be is an extra complexity for these customers to deal with.

**Mr MULHERIN:** What about late-payment fees?

**Ms Allen:** I am not sure of the spread of those fees.

**Mr CRANDON:** I have a follow-on question from Michael. You support the concept of more regular bills—and I do, too, by the way—for people who need them. Are you supportive of the concept of estimating? If you have a bill that comes in at \$600—I am just using a figure and it is nothing like my electricity bill—over three months they could then do an estimated bill of \$200 based on past history per month, an estimate and pick up the balance at the end. Are you comfortable with estimating?

**Ms Allen:** I think some of the retailers who are providing estimated monthly billing—I have not seen the outcomes in terms of any adverse consequences of doing that or any sort of estimates that are way out of the ballpark. I think it is a good concept. As long as there is assistance for people who find that the estimates have been well under what they have actually used. When they finally get their actual bill based on their meter reading, they should be able to access assistance in order to meet those costs. It would be a problem if they could not.

**Mr CRANDON:** Following on from that then, you heard the discussion that we had in relation to the cost associated with that. You are sending out 12 bills as opposed to—particularly if it is a paper bill—four per year. There is a cost associated with that. Who do you think should pay that cost? The rest of the community or the individual who has asked for that bill, if it is a paper bill?

**CHAIR:** I think we are outside the scope of the bill there. It is clearly a hypothetical.

**Mr CRANDON:** I do not think it is.

**CHAIR:** We will not put them in that position. I want to ask just one quick question—

**Mr CRANDON:** If you want to answer it—

**CHAIR:** We will leave that where it is. One quick question: there is a similar organisation to QCOSS in Victoria. Have you had any discussions with them? Victoria has gone through this retail price deregulation. Have they seen any benefits for their constituency, for low-income people or those who are disadvantaged?

**Ms Allen:** I think the Victorian market is a very different market to what we have in South-East Queensland at the moment. In Victoria there is not just VCOSS but a number of additional groups that I think National Seniors mentioned such as Consumer Utilities Advocacy Centre and Consumer Action Law Centre that are very active in representing consumer interests in this space. We do not have that here in South-East Queensland at the moment. Those organisations play a role in holding the market to account in some ways. The question was about whose responsibility is that? When it is a shared responsibility, having those organisations to provide a voice for consumers in that conversation is important. In terms of the concessions framework, Victoria also has a much stronger and better targeted concessions framework than Queensland currently does. I think we mentioned in our submission around the eligibility for the electricity rebate. Healthcare cardholders are currently excluded from those concessions in Queensland. They receive that in Victoria, for example. In the Victorian example they have had the same price increases traditionally as we have in Queensland. The benefits of the deregulated market might have been obtained by some consumers, but I think they still have an issue in that there are a lot of consumers who find it very confusing and overwhelming as well. I do not know that there is a definitive answer to say that price deregulation has been of great benefit to consumers in Victoria.

**CHAIR:** Would you say then that, with the removal of the retail price regulation in Queensland, QCOSS has the capacity to step up or would you expect that other organisations will organically evolve, as has occurred in Victoria? Were they funded?

**Ms Allen:** It does come down to the funding.

**CHAIR:** Are you aware of whether the Victorian state government funds those organisations?

**Ms Allen:** Yes, and there is also a consumer advocacy panel which sits under the Australian Energy Market Commission which funds a number of those organisations as well.

**CHAIR:** Is the consumer advocacy panel federally funded?

**Ms Allen:** Yes.

**CHAIR:** I am conscious of time.

**Mr YOUNG:** Did I hear you say that in Queensland if you have a Centrelink healthcare card you are exempt from concessions? Is that correct?

**Ms Allen:** At the moment the eligibility for the electricity rebate in Queensland is pensioner concession cardholders. I think there is Department of Veterans' Affairs gold card holders as well but healthcare cardholders who are the single people on Newstart, for example, the very low income working families do not receive that.

**Mr MULHERIN:** How would you go about engaging those people about the changes? I know that you suggest that this should be deferred til 2016. Obviously the government is not going to do that; it will come in shortly. How would you engage with low-income earners? What suggestions would you make to this committee about how government would go about it?

**Ms Allen:** I think through the example I provided before about the Home Energy Saver Scheme program, the feedback we have had is that the community sector, for example, is a very trusted sector. Information provided by retailers is not necessarily met with the same openness, trust and confidence by consumers. Having the community sector play a role in providing that information is important. Currently, it is financial counsellors who might be funded; it is people who might be providing housing or emergency relief work. These are not people who have experience and knowledge of energy issues themselves. They are the ones who people turn to when they cannot pay an energy bill or when they need assistance. A program that enabled either the resources for them to skill up or created roles in those organisations to actually have face-to-face conversations with people would be the way that we would like that to roll out. I guess there is a bit of a significant lead time in building people's capacity in that kind of way.

**Mr MULHERIN:** How many low-income earners and people who are suffering hardship would have access to the internet?

**Ms Allen:** I was wishing that I had a statistic for you. I can only provide it anecdotally. We do know that quite a few people do have smart phones, for example, but they do not necessarily have access to data if they are on prepaid arrangements and things like that. Anecdotally, we do know that it is quite low. I can find out information.

**Mr MULHERIN:** If you could find out and let us know if you do not mind.

**CHAIR:** Thank you very much for your time. We appreciate you presenting yourself before the committee.

**BARR, Mr Benn, General Manager, Pricing, Consumer and Retail, Department of Energy and Water Supply**

**FINDLAY, Ms Kristen, Manager, Pricing, Department of Energy and Water Supply**

**TAYLOR, Ms Ty, Director, Consumer and Retail, Department of Energy and Water Supply**

**THOMSON, Mr Andrew, Manager, Consumer and Retail, Department of Energy and Water Supply**

**CHAIR:** Welcome. I am conscious of the time. Rather than go into a statement, we would like to just fire the questions that we have picked up. I do not know how long you have been here, but we have touched on, both with National Seniors and with QCOSS, hardship plans and the late-payment fees in particular being applied to people on hardship plans. Could you clarify that for the benefit of the committee?

**Mr Barr:** My understanding—and Ty will know for certain—is that they are not charged on hardship plans.

**Ms Taylor:** No, as long as they are registered with their retailer as entering into a hardship payment arrangement they are exempt.

**CHAIR:** Is there a legislative basis for that, or is that just an agreement that the retailer is not to charge a late-payment fee on a hardship plan?

**Ms Taylor:** As part of the rules, yes—the retail rules that sit below or support the legislation.

**CHAIR:** We will see that in the regulation that comes forward?

**Ms Taylor:** Yes.

**CHAIR:** To be very clear, the concern that people have with regard to late-payment fees being applied to hardship plans would not be permitted under any of the changes that have been proposed in this?

**Mr Barr:** Correct.

**CHAIR:** Thank you very much. I might pick up also more broadly on the issue of late-payment fees. We have obviously heard a wide range of concerns with regard to that. Was there any consideration by the department in the formulation of this bill as to providing that consumer protection with regard to late-payment fees?

**Mr Barr:** That is in either regulating that they cannot charge late-payment fees or capping it at a certain amount?

**CHAIR:** Correct.

**Mr Barr:** Certainly all the community groups came in to us and had a chat about that. We did consider that. Where we landed—and it is in our submission to the committee. I think it picked up that somebody has to pay for that in some form. One of the risks is that if you cap it at a certain amount, then you encourage the market to charge at that amount. So you encourage them to charge. If it is too high, you have set the bar too high. If it is too low, the rest of those costs will flow across all consumers. What we have tried to do is to, as part of this process, only regulate where we think the benefits outweigh the cost. The approach to this was—and people are charged late-payment fees now—to make sure that retailers cannot charge new fees on standard contracts. I think all of the people today have pointed out that customer education is really important, about getting simple messages out to consumers to be aware of those issues.

**CHAIR:** When you say people are charged late-payment fees now, is it not the case though that those outside of South-East Queensland on a standard retail contract do not pay a late-payment fee or are not permitted to be charged a late-payment fee?

**Ms Taylor:** That is right: there are no late-payment fees included in the standard retail contract.

**CHAIR:** Do we not have a disconnect where we are prepared to ensure that under a standard retail contract no late-payment fees are permitted and therefore—I take your point, there is a cost and that cost is being spread across there. But is there not a slight disconnect where we are accepting that position, but when it comes to these changes, we were not prepared to continue that position?

**Mr Barr:** There are no new fees on standard retail contracts. So if you have a standard retail contract and there are no fees on it now, then you will not have an additional fee. It is on the market contract where your late-payment fee is. Therefore, that exists now, so we have continued that into the new framework.

**CHAIR:** Okay. Are there any other questions?

**Mr HART:** We heard from National Seniors and QCOSS that there is a great deal of concern about people reading their bill. Did the government consider a template type bill and if not, why not?

**Mr Barr:** Yes, we looked at how to make the bill simpler, I guess. There is a lot of work that went on in NECF around that. There was a working group over a number of period of years to look at standardising the key requirements on a bill. That work went over a couple of years. I understand QCOSS—not QCOSS so much, National Seniors disagree with some of that. What we have said to them is we wanted to take that evidence of the work that went across a few years and it is very hard to get a bill that hits the mark for every component of the community. I think Carly from QCOSS pointed out that there are people with English language skills who, no matter what you put on that bill, you will not be able to target. We were happy to go with the research and the work that was done and then focus our attention on giving people the skills about how they can interpret that information on there.

**Mr HART:** Did the government consider a standardised graph type format?

**Mr Barr:** There is a graph that has to be included under NECF that compares your consumption to other similar consumers in your region.

**Mr HART:** I did not get a chance to ask them this question, but QCOSS also raised the uniform tariff that goes on through the region. How will that be set given that South-East Queensland will not have a real added tariff anymore?

**Mr Barr:** That is a good question. It is one of the preconditions for the introduction of market monitoring. I cannot get into the level of detail because that is a policy decision that will go in front of government, but publicly the government stated the policy position is to maintain uniform tariff, whether we move into a deregulated environment, and it is looking at options about how it can do that in that environment.

**Mr HART:** But there will not be a uniform tariff in South-East Queensland.

**Mr Barr:** No. The price is actually set by the QCA and it is done as a cost build-up. The QCA has a discussion paper on their website about the different sorts of options government considered. We can pass that on to the committee. One is they could do a similar cost build-up that they do now.

**CHAIR:** If you could pass that discussion paper on that would be appreciated.

**Mr Barr:** We will send that for you.

**Ms MILLARD:** With regards to some of the submissions, some of them were not addressed as they were considered to be outside of the scope. Could you perhaps explain a little bit further about why some of these may have been outside of scope?

**Mr Barr:** Which were the submissions?

**Ms MILLARD:** One specifically was Steel Wave Power.

**Mr Barr:** I might have to take that on notice. Andrew, do you want to answer that one?

**Mr Thomson:** My recollection of Steel Wave Power was that it was looking at a whole range of matters beyond the scope of the bills that we are dealing with. It did not fall within NECF. Perhaps Kristen might have something more to say around market monitoring. I understand there was some request to put regional requirements into an area of north—

**Mr Barr:** Can I have a look at that one and we will get back to you today, if that is all right.

**CHAIR:** We are happy if you take it on notice. We have a copy of their submission here.

**Mr Barr:** We will get back to you today.

**Ms MILLARD:** There were just some concerns that they raised.

**Mr Barr:** We will get something back to the committee today.

**Mr CRANDON:** The National Seniors submission submits consumers must be given sufficient notice of price changes, including increases to fees, charges and the lowering of any discounts to ensure they can change providers et cetera. It submits a minimum notification period of

at least 10 working days before the price increase comes into effect should be mandated within the legislation. Your response to that, unless I am missing some other response, is you do not agree with it. You do not accept that. You have this request for 10 business days advance notice of the expiry of a fixed benefit period.

**Mr Barr:** Yes.

**Mr CRANDON:** You are dealing with it there, but these people are specifically talking about 10 days' notice if there is a price increase lobbed on them. Do you remember that discussion that we had?

**Mr Barr:** Yes, we remember it.

**Mr CRANDON:** I don't understand what you mean there. Why haven't you actually responded specifically to that? Why is that not acceptable?

**Mr Barr:** I think they make some good points around that. I am not saying it is not without merit. Our discussions with both community groups and retailers err on the side of I think that 10 days would be good for some customers, but the cost outweighed the benefits of that in the view of the information that we had. On market contracts, if you are aware and you sign up to that then you should know that the price could change and you should be able to get out of that contract and get a better deal for yourself. Our view was we are improving the protection. There is no requirement for customers now to get advance notice on market contracts, so the flexibility for retailers who have different business models might mean 10 days they need to re-do their billing systems. That is going to increase the cost into the system. But I do understand where Seniors are coming from.

**CHAIR:** I want to pick up on that. I think there is a slight disconnect here in the sense that I understand what you are saying in that there is greater flexibility. I get a price increase, you have made it easier for me to change at the drop of a hat because I can be notified of an increase in a bill at the drop of a hat, but you have not provided any protection with regards to the capping of exit fees. We could be in a situation where I could have an exit fee that is going to restrain me from moving at the drop of a hat. I am just a bit concerned that we are not providing the protection on the other element.

**Mr Barr:** I guess our analysis of exit fees indicates that there is a large proportion of market contracts which actually do not have exit fees any more. There are anywhere between \$100 to \$120 in the first year for exit fees. Providing advanced notice that the retailer is going to change their fee I think is an important protection. Providing 10 days though, if you are in the first year of that contract and they raise their fee for whatever, I don't think that actually changes that you will have to pay that exit fee. I understand it sounds anomalous, and there is an AEMC rule change out now looking at the issue of fixed benefit fixed term contracts and whether they should regulate over the top of that. But whether it is 10 days or is 20 days the right amount, for us the important thing is you are given advance notice and you can make that, but I do have some sympathy for the National Seniors position.

**Mr CRANDON:** Does that mean we might get some sympathy translated into it?

**Mr Barr:** We will look at the committee's report very closely.

**CHAIR:** I am sure you will and we would not pre-empt what the committee would go with.

**Mr MULHERIN:** How is government proposing to communicate with people who are currently not on a market contract between now and deregulation bearing in mind that we have heard from National Seniors that 40 per cent have access to the internet and low income and people who are on hardship probably do not have any access? How are you going to communicate? Are you going to empower other groups to do it on behalf of government?

**Mr Barr:** I cannot give you the final answer because it will go in for a decision of government, but the community engagement campaign is one we are working on with the community sector now. We have a steering committee which includes QCOSS and CODA as well as retailers and we are coming up with a plan which we all agree with: government, retailers and the community sector. For me, absolutely a core of that has to be using the community sector to get out, in a fashion one-on-one, with people who do not have access. I think that is absolutely critical.

**Mr MULHERIN:** The other issue is once deregulation occurs and you get people who do not want to go onto a market contract, what will be the uniform tariff then? In South-East Queensland it is completely deregulated.

**Mr Barr:** There was a similar question. I can't give you the answer now because the government has to make a policy decision, but the QCA will give you their discussion paper on this



issue where we asked them to come up with some options. One option is they can do a cost build-up the same as they did for SEQ based on SEQ. So they will pay the equivalent to what they are paying now. I will send that paper in.

**Mr YOUNG:** They will develop that.

**Mr Barr:** Government needs to make a decision about how it wants to do it, how it wants to set prices in regional Queensland. The minister will then send the QCA a delegation and say here is how we think you should set prices. The QCA will then put out a discussion paper, then go and consult regional Queensland and come out with a draft decision like happens in SEQ now and then a final decision towards May, June of next year.

**Mr YOUNG:** It may already happen now with billing information, I do not know whether it does—and we go back to billing information repeatedly—but is there any documentation on your billing information that says that you are eligible for concessions or discounts?

**Mr Barr:** The problem with that is how does the retailer know? Do you mean a statement on the bill to say if you fit these categories?

**Mr YOUNG:** No, just the question: 'Are you eligible for concessions?', and then it is up to them. They can drive it. It is not for you to drive it. When I go into meetings, especially with elderly constituents, you have one person who is very savvy who is picking up a benefit because they can and you have got other people who are just not aware of it.

**Mr CRANDON:** They just don't know.

**Mr Barr:** At the heart of that question is again consumers should know what they are entitled to under the concessions framework and if there are better ways for us to get that information out we are happy to look at them.

**Ms Taylor:** One of the things we are including is that retailers need to make customers aware, if they are signing them up, in the initial conversation of becoming a customer that they will need to notify customers that they have access to a range of assistance, including concessions information.

**CHAIR:** We heard evidence about retirement villages and manufactured homes, does that extend to those in those situations?

**Ms Taylor:** Certainly people who on-sell will need to provide additional information above what they are currently providing to customers in terms of their prices and options for payment and that type of thing. I would have to double check about whether we have made that a requirement.

**Mr Barr:** I think so, but we will check.

**CHAIR:** Could you check on that because it is certainly something we have heard of. The example, I think, Seniors gave us was of a particularly savvy individual in Western Australia which then resulted in changes that were necessary to pass that on.

**Mr HART:** What does happen in a manufactured home situation now where you have got the owner of the park on-selling? How do concessions get taken into account there?

**Ms Taylor:** The park operator would apply on behalf of the individual customer to the retailer to access the concession and pass that back through to the customer and receiver.

**Mr CRANDON:** All of it?

**Mr Barr:** Yes, he should. But it has to be the park owner because that is the customer with the retailer.

**Mr MULHERIN:** What about retirement villages?

**Ms Taylor:** The same.

**Ms MILLARD:** I was going to raise the Manufactured Homes (Residential Parks) Act because it is quite complex and it can be quite messy. I am sure you are aware there have been quite a number of cases that have gone through to QCAT and are still going through the QCAT process at the moment. There are operators out there who are brilliant and absolutely do the right thing and then there are those who do not. I think sometimes those who do not it is simply because it is such a complex issue that they get lost in it. I certainly hope that this new bill may address some of the concerns around that. I tend to somewhat agree, although I need to think through it further, with the National Seniors group that perhaps it should all be incorporated under the one act.

**Ms Taylor:** Certainly we are working with relevant departments to identify manufactured homes and retirement villages and get the information out in the lead-up and working with the AL in

terms of communicating and engaging those groups so that people are aware of their rights and responsibilities under the NECF for increased clarity and access to rebates and assistance and billing options and those types of things.

**Mr KATTER:** I am just concerned there might be something I have missed with this bill, but are there any mechanisms in place to restrict market dominance from any one retailer over the long term? This is an essential service. I think we all know that this could produce some pretty bad outcomes in 10 or 20 years time.

**Mr Barr:** There is a reserve power for the minister to re-regulate—so obviously you would want to re-regulate—and that reserve power will be triggered if the minister is uncomfortable with customers not getting the benefits of competition in SEQ. In exercising that power, he will have a range of reports to look at to determine that. The Australian Energy Market Commission will do an annual report looking at whether competition is effective across the NEM, including Queensland, and that looks at things like whether new entrants can enter the market. Are there barriers to entry for new entrants to take on the two or three retailers? That is an important part of that.

The QCA looks at the particular price outcomes for customers. So if, for example, there is one retailer and customers are not getting a good deal out of that, the minister would then task probably the QCA to look into whether it is effective, and in the worst case scenario he would re-regulate.

**Mr KATTER:** So it is sort of discretionary in nature? It is at the discretion of the minister to say that is becoming of concern and needs to be looked at?

**Mr Barr:** Yes. So what we are doing is coming up with some success indicators for them. We are going to publish that towards the end of this year so the public are aware of the success factors for the introduction of market monitoring in Queensland—the sorts of things the minister will look at.

**Mr MULHERIN:** So you would not look at the fact that three operators might have 75 per cent of the market as an indicator that it is in the hands of too few companies?

**Mr Barr:** I guess you look at it from more of an outcomes perspective. If there are three with 75 per cent, are customers still getting a good deal?

**Mr MULHERIN:** You look at switching rates between the big three and—

**Mr Barr:** You look at a range of factors. I think there are barriers to entry, price, competition, customer service. So there are a range of factors you would look at.

**Mr KATTER:** Do you not see that there may be some benefit in sending that signal to some of these operators early? I am just being the devil's advocate, but if I were one of those larger ones that wanted to take advantage of the situation in the market I would be setting a strategy now to hit 60 per cent or 70 per cent in the long term and doing everything I could to make that happen now. But if you set a hypothetical limit of 40 per cent or 50 per cent now, well, I am not even going to go down that road because you have sent me the signal from a policy perspective that 'no, we are not going to allow this'. But if you leave it up to discretion, you are leaving the gate open a bit, so to speak.

**Mr Barr:** You are, because you are looking at the reforms over a period of time. This is hypothetical, but I am not in a position to say, 'Fifty per cent is too much.' And you might have one retailer with 50 per cent and then six retailers with a smaller share and customers getting a great deal. For us it is that outcome that is important. So I think looking at those outcome indicators, not setting a regulatory barrier for a particular retailer's market share, would be the issue.

**CHAIR:** I am sure someone had that view with supermarkets, and I am not sure we are getting the benefit from the smaller players.

**Mr MULHERIN:** So with the reserve head of power that the minister has to re-regulate, will it be in the act or will it be in regulation what the minister expects as outcomes in a competitive market so there is a clear signal to those players what the expectation is?

**Mr Barr:** I think in an outcome sense the line that is in the legislation and regulation is that competition is effective and customers are getting the benefits from it. The actual indicators we are still working on. They will largely be very similar to what is in the Australian Energy Market Commission report that comes out around competition being effective.

**Mr MULHERIN:** So it will not be in the head of power? It will not be in the act? It will not be in the regulation? It will be in a policy document somewhere buried in the department—

**Mr Barr:** On the website.

**CHAIR:** Thank you very much. We are talking about national energy players. I have heard the argument with regard to why we should not cap exit fees but Victoria has capped its exit fees at \$20. How can we be confident that Queensland consumers will not be cross-subsidising other states who are capping? I take your point about the exit fee having to be passed on in some way, shape or form. If Victoria is capping and a player in Victoria is also in our market, where we have not capped exit fees, how can we be confident that we are not cross-subsidising?

**Mr Barr:** How can we be confident we are not cross-subsidising Victorian consumers because—sorry, I am just getting the question.

**CHAIR:** Yes.

**Mr Barr:** So Victoria is capping exit fees at \$20 for all retailers and how can we be sure that a particular retailer, if we do not cap, is not cross-subsidising? I guess—I am thinking about this one. The issue in Victoria is that they are capping it at a certain amount. You are unlikely to get it right for each retailer—that is, the particular exit fee, what their cost is. So maybe it is slightly too low for some retailers but because it is regulated they will say, 'I am just going to charge \$20 as an exit fee across all my market contracts because that is what the regulator tells me.' So in fact there could be winners and losers in Victorian consumers because of that regulatory impost. So maybe—I am hypothesising—there might be one retailer who might charge slightly more on their exit fee to cover their book across the NEM. However, you cannot make that guarantee. By putting it in place in Queensland, you are just taking the regulatory risk yourself and you are guaranteeing yourself that you are going to be spreading that cost across all your consumers, as opposed to an issue which we do not know is true.

**Mr MULHERIN:** The whole issue of cross-subsidisation around exit fees goes even deeper. If I am a retailer and I want to get a bigger share or I have lost share, what mechanisms are in place to stop me using cross-subsidisation from one state to another to get increased market share? What protections are there?

**Mr Barr:** The protection is that you have a competitive market and you should be getting good deals from other retailers. So if one retailer is offering a bad price, other retailers will come in and offer a better price in Queensland to get those customers. That is the—

**Mr MULHERIN:** Hence the Victorian or a Queensland customer.

**Mr Barr:** So a different retailer will have a different strategy. The idea is that we will get more retailers here and more retailers in Victoria offering a better range of products. There are less in Queensland, and you want that competition because the best protection is that there is a better deal for you.

**CHAIR:** South Australia has gone along with Victoria. Do they have a price cap?

**Mr Barr:** A price cap on exit fees? I will have to check that one. I cannot recall off the top of my head.

**CHAIR:** If we could put that on notice, we would appreciate that.

**Mr Barr:** Yes.

**Mr HART:** I took from the information that National Seniors and QCOSS gave us that there is some benefit to the people they represent to move towards real-time real-usage information. Is this something the government is looking to encourage suppliers to do or are we leaving it to industry?

**Mr Barr:** Certainly looking to encourage. But in PowerQ, which is the government's 30-year electricity strategy, it says it is really critical to get advanced meters or smart meters out there for customers for a range of reasons. You can have more targeted information for customers. But the government has said that it is not going to do a Victorian mandated rollout. That just washed a lot of costs across a lot of customers without any benefit. We want a market led rollout. So where there is a benefit for that, we want the market to deliver that for customers. But we are looking at what regulatory settings we control which can facilitate that.

**Mr MULHERIN:** We heard from the Energy Retailers Association. They said that with deregulation there would be more choice for consumers—different options for consumers—but they also said that there would be investment in the market. What sort of investment does the government expect from these retailers? What do they mean by 'investment in the market'?

**Mr Barr:** What they mean is that you can invest in your brand and your customers because you have less regulatory risk. You know that the regulator or the government is not going to set a particular price so you can take a strategy over a longer period of time to say, 'If I invest in trying to capture customers in Queensland, I know I am going to get a return out of those customers.' That

might be in better billing systems, better customer service, different products, new discounts, in-home displays or rolling out meters to particular customers because you think it is going to be good. So there is a whole range of things they might do—investing in community groups because they see that as part of their social licence to operate and they are going to do something good for the community. So there is a range of benefits, I think, over time. It will not be on 1 July next year but over a five-year period that you will see them investing more in Queensland—putting some more feet on the ground. Most of the headquarters are in Victoria. You would hope that one of the second tiers would look at whether they would set up in Queensland, which might have more growth prospects for them.

**Mr MULHERIN:** Finally, QCOSS and National Seniors have asked that government defer deregulation to 1 July 2016. It is not likely that will change?

**Mr Barr:** I have had a good chat to QCOSS about that. For me, I think there is a benefit for customers in moving to that. One of the big benefits is engaging those customers on standard-offer contracts to get a better deal in a simple way, and I think there are simple messages for customers such as, 'Just call up your retailer and ask for a better discount and say, "I do not want an exit fee."' If we can use the period—we have six to nine months, which is a lot better than they had in Victoria, South Australia and New South Wales, where they basically did it overnight—I think we can allay the concerns of QCOSS around that timing.

**CHAIR:** The committee would appreciate that answers to any questions taken on notice be provided by close of business on Tuesday, 12 August. I thank you for your attendance at the hearing today and I thank everyone for their involvement. As always, the committee has gathered valuable information that will assist in its inquiry into the Electricity Competition and Protection Legislation Amendment Bill 2014 and the National Energy Retail Law (Queensland) Bill 2014. I declare the hearing closed.

**Committee adjourned at 11.12 am**