

Submission: Energy Retail Code of Practice

Friends of the Earth Melbourne

Friends of the Earth Melbourne welcomes the opportunity to submit to the Energy Retail Code of Practice review, under consultation by the Victorian Government's Essential Services Commission.

The practices of energy retailers has a powerful bearing across a multitude of areas of the lives of Victorian energy users, from households to commercial and industrial customers. In a changing economic and energy landscape and at a time of rapidly emerging climate change, this code of practice has a critical role to play in facilitating a just energy transition for all Victorians.

About us

Friends of the Earth Melbourne is a social and environmental not-for-profit organisation with a fifty year history of advocacy for the wellbeing of people and planet. We are committed to energy justice and to this end we research, develop and offer policy proposals which are intended to be practical and easily implemented by governments.

This submission is written by Freja Leonard, No More Gas campaign coordinator for Friends of the Earth Melbourne and Leslie McNulty, volunteering with Friends of the Earth Melbourne.

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Summary of submission

This submission is written through the frame of energy justice for all, and with an emphasis on corporate transparency.

We address the following:

- Supporting the choices of energy consumers
- Pricing and contract protections
- General code of practice updates and other changes

We do not comment on protections for consumers experiencing vulnerability as we believe that there are groups offering support and services to vulnerable Victorians that are better placed to respond to these questions.

Questions presented in the issues paper

Supporting customers who want to disconnect from gas

Our position is that methane is a fossil fuel that accelerates climate change. Methane is eighty-four times more potent as a greenhouse gas than carbon dioxide over a twenty year period. The low pressure gas distribution system that operates in Victoria has an “acceptable” unaccounted for gas (gas leakage) threshold of 4% and generally leaks about 3.8%, just shy of the threshold.

If Victoria is to meet its emission reduction targets of net zero by 2045 it needs a plan to rapidly remove all energy users from gas to zero carbon electricity and shut down the low pressure gas distribution system as a matter of urgency.

Therefore this submission weighs heavily in favour of any measures that may be adopted in the Energy Retail Code of Practice to support customers to disconnect from gas as rapidly as possible.



Do you see a need for improving processes and information for a customer who wants to disconnect from or abolish their gas connections?

Yes, to support Victoria and Australia in reaching its emission reductions targets and improving the health of Australian homes it is critical to provide easy to access, clear information to those with a gas connection. It is necessary to distinguish between disconnection and abolishment and make consumers aware of their ability to disconnect from gas.

Providing access to clear information on costs, and timeframes for the disconnection or abolishment of a gas connection increases the likelihood a consumer will choose to make the switch from gas to a more sustainable energy source.

All information must be provided in an easily accessible way on documentation that consumers look at frequently to avoid the potential that a consumer will miss a one off notice or be unable to locate the information when they would like to. Decision trees or maps make the steps involved in disconnecting from or abolishing a consumer's connection to gas easy to follow, providing clear directions for customers, especially those who are culturally and linguistically diverse (CALD) as they provide visual guides and step by step processes.

Clear, concise and accessible language should be used while providing resources for consumers who require further information.

Do you have any views on our proposed provision-of-information requirements related to disconnections and abolishments?

Basic information for CALD consumers should be more readily available as opposed to requiring the customer to make a specific request. Victoria is the second most ethnically diverse state in Australia with suburbs like Clayton, Springvale and the Melbourne CBD presenting high on the HH Index (Edge Red, 2024¹).

Requiring CALD residents to request information about disconnection and abolishment creates barriers and reduces the possibility of their progressing with the decision to disconnect from or abolish their gas connection more than readily available and digestible information would.

¹ <https://www.edgered.com.au/post/which-are-the-most-culturally-diverse-areas-in-australia#:~:text=NSW%20and%20VIC%20are%20the%20most%20culturally%20diverse%20states&text=The%20top%205%20ancestries%20of,countries%20where%20immigrants%20are%20from.>

We support the provision of all information listed in the issues paper;

- the different forms of cessation of supply (disconnection and abolishment), including a description of what each involves, procedures and timeframes
- applicable charges for a residential customer for disconnection, abolishment and reconnection
- the circumstances in which a disconnection may happen and in which abolishment is required
- the rights of a customer seeking a disconnection, reconnection, or an abolishment of a customer's gas connection.

Information barriers

For landlords and tenants to make good decisions about energy efficiency they must have relatively easy access to information about the efficiency of their current equipment and the potential for improvement. Unfortunately, the time and effort required to search for information are often enough to discourage individuals from pursuing energy efficiency. This problem is compounded by leasing agents themselves not being reliably able to answer key questions about the standard and compliance of properties for lease (Tenants Victoria, 2024²). For these reasons, information provision has been one of the dominant strategies to foster behaviour change around energy (Williams, 2008³).

Imperfect information is a prominent barrier to energy efficiency improvements (Ungar et al., 2012⁴). Examples of imperfect information include limited knowledge of the energy performance of different equipment, unpriced health and environmental costs of fuel types,

energy savings being difficult to measure, uncertain future energy prices, and that specific energy uses are not quantified in utility bills. de T'Serclaes and Jollands⁵ categorise imperfect information as a market failure because consumers do not have enough information to make the most rational choice.

The provision of Powerpal energy monitors, subsidised by the state government, has been useful in helping households manage their energy use and maintain awareness of the energy burden of appliance use in the home. However, these only track electricity use in real time.



² <https://tenantsvic.org.au/news/minimum-standards-in-rentals/>

³ <https://dspace.mit.edu/bitstream/handle/1721.1/44348/276307447-MIT.pdf?sequence=2>

⁴ <https://www.aceee.org/files/proceedings/2012/data/papers/0193-000214.pdf>

⁵ de T'Serclaes, P, Jollands, N, International Energy Agency, Organisation for Economic Co-operation and Development (2007), *Mind the gap: quantifying principal-agent problems in energy efficiency*, OECD/IEA, Paris

There is currently no equivalent system available to track gas use from the meter. This means that any leakage of gas from behind the meter is more likely to go undetected, appliance efficiency is a mystery and overall householders have little control over the real time gas usage of their homes.

Do you have any views on whether there is a need for new rules on timeframes and notification requirements for abolishing gas connections?

Consumers who wish to abolish their gas connections should be able to do so as quickly as possible.

Rules on timeframes should be put in place to ensure that those who are seeking to abolish their gas connection to reduce their emissions and costs are not unduly delayed by factors outside of their control, including the decision by gas providers on where to delegate the resources of their companies.

There should be guidelines on minimum timeframes for actioning a request and requirements for frequent communication of the status of a request. Breaches of these timeframes should incur significant penalties, sufficient to not simply act as an acceptable cost – in the view of the company – of doing business badly.

Consumers should have an accessible, easy to use, independent and low-cost avenue to raise grievances and facilitate resolutions where their requests for abolishing their connection is delayed beyond minimum timeframes.

To strengthen protections for a customer wanting to disconnect from gas, are there any other obligations on a retailer we should consider introducing in the code of practice?

Retailers should be required to provide basic information on disconnection with each bill and in depth information with each change of customer. The information should be clearly displayed on a retailer's website.

There should be minimum time frames of when a retailers must reply to requests for information from consumers about disconnection and action requests for disconnection. Breaches of these timeframes should incur significant penalties, sufficient to not simply act as an acceptable cost – in the view of the company – of doing business badly.

Bill information requirements

Do you see a need for full alignment of energy bills with the Australian Energy Regulator's Better Bills Guideline? If so, what do you think would be the key benefits?

Yes, providing a consistency of information on their energy bills will allow consumers to understand the cost of their energy use and highlight that there may be better, more efficient and less costly options. Including best offer and energy comparison information on the Tier 1 page allows for immediate access to alternative energy options.

Comparison on energy providers and awareness of options is cumbersome and poses a significant barrier to consumers who seek more sustainable and lower cost energy options.

Renters are more vulnerable to the risks posed by energy inefficient homes but less capable of taking the necessary steps to create change in their living places due to being subject to landlord approval. Choice of their energy provider is one of the few choices a renter may be able to make in impact their emissions footprint and reduce costs. It is critical to make this information available and easily accessible for consumers.

Consumers should also be provided with information on the emissions intensity of their energy use.

Do you think the inclusion of details for the Energy and Water Ombudsman Victoria (EWOV) would be of benefit to billing information?

Yes, many consumers are unaware of their rights or the avenues available to enforce them. Providing this information empowers consumers and would improve the due diligence of retailers.



Do you support the need for prescribed requirements related to bill communications? Are there any practical implementation issues we should consider?

Yes, more and more consumers choose to receive bills via email. They should not be disadvantaged by receiving less information than those who receive bills in the post.

The provision of bills via email increases the ability of retailers to provide suitable information to CALD consumers, while reducing the potential to pass on costs for customers. The provision of translation services and website maintenance will likely be less resource intensive than providing large amounts of information via postal mail.

Best offer obligations

Do you support our proposal for addressing accessibility and availability of best offers? Why or why not?

Yes, this would encourage retailers to invest in more energy efficient and sustainable options as more customers would be aware of the benefits of switching to lower carbon, more affordable energy sources. It would also encourage retailers to expand the energy offering where they do not offer more low emissions options for consumers as the community knowledge of better energy options is increased by greater access to consumer knowledge.

The close relationship between lower incomes and higher rates of renting has been a long-term trend in Australia (Agarwal et al., 2023⁶), made worse by the COVID pandemic (AIHW, 2023⁷). According to an ACOSS survey reported in 2023⁸, 49% of people on income support were in private rentals. 73% of these residents reported cutting back on energy use for cooling or heating and 64% said that they went without food or medicine in order to afford energy bills.

As the cost of living has soared and continues to do so, those stuck struggling to pay for rentals can only watch in wonder as rents increase and a quarter of house sales are for investment purposes. This is a problem for the macro economy of Victoria, as lower income people pay more for rising rents and energy to power some of the least efficient homes in the state. It is also a problem for the climate with the embodied energy and potential for gas leakage being higher in poorly maintained efficient homes.

⁶ <https://www.rba.gov.au/publications/bulletin/2023/mar/renters-rent-inflation-and-renter-stress.html>

⁷ <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

⁸ https://www.acoss.org.au/wp-content/uploads/2023/09/ACOSS-COL-Report-Aug-2023_Web_v03.pdf

In 2023, 1% of the Australian population owned a quarter of the homes on the rental market (Rachwani & Issa, 2023⁹). There is a creeping sense amongst renters that they will be trapped renting forever. If there are people in the community who will only ever rent, we must ensure that rental homes are comfortable, healthy and affordable to run. A key way to assist this is through the provision of consumer facing information that emphasises accessibility and promotes the best possible offers for energy users.

In your opinion, is there a clear benefit in reviewing how deemed best offers are calculated?

We support the proposal not to include discounted bundles in best offers. Discounting the cost of energy by bundling electricity costs switched to gas costs obfuscates the true price of gas and allows gas companies to maintain a social licence to operate without displaying the true cost of not switching to more sustainable energy options.

Are you aware of any other issues with best offer obligations that this review could consider?

We consider that there would be a benefit to providing information not only about the monetary cost of the energy source but the emissions cost to allow consumers to knowingly contribute to Australia's emission reductions commitments.

This would have the benefit of being tailored to the consumer so they can understand their emissions impact and their options to reduce their personal emissions, while making educated decisions about managing their energy costs.

⁹ <https://www.theguardian.com/australia-news/2023/jun/04/a-quarter-of-australias-property-investments-held-by-1-of-taxpayers-data-reveals>

Accuracy of information on Victorian Energy Compare website

Do you support the need to review relevant definitions in the code of practice or is this better managed through the Energy Fact Sheet Guidelines?

There would be benefit in including this information to make it more widely available to consumers and to remind retailers of their obligations. Access to accurate information on the emissions of an energy product is critical to achieving Australia's energy transition.

Any inaccurate, misleading, or difficult to understand information puts consumers at a disadvantage and may result in them making energy choices that do not result in the reductions they trying to achieve.

In your opinion, would there be any issues presented by prescribing a timeframe for removal of outdated offer information from Victorian Energy Compare?

No, so long as the time frame results in the timely update of information, so it realistically prevents consumers from accessing outdated inaccurate or misleading information.

In cases where it is determined energy retailers have provided intentionally misleading information there would be benefit in putting in place rules requiring public notices correcting this information to reduce the impact to consumers, accompanied by stringent penalties that present a real incentive towards full compliance by energy retailers.

Conclusion

This submission recognises the important role that the Essential Services Commission plays in regulating energy suppliers, retailers and energy users. We applaud recent reforms that have capped the cost to consumers of disconnecting from gas and meter abolishment, as well as the imminent plans to charge consumers the full cost of gas connection where this is legally an option in Victoria.

We believe that the considerations presented in the draft Energy Retail Code of Practice are well conceived and communicated, and offer an important next step in assisting Victoria to reach net zero emissions by the target date of 2045, reduce the potential for bill shock for energy users and foster a higher level of energy economic and climate literacy amongst the diversity of energy consumers statewide.