

**REPORT ON PROCEEDINGS BEFORE**

**SELECT COMMITTEE ON ELECTRICITY SUPPLY,  
DEMAND AND PRICES IN NEW SOUTH WALES**

**CORRECTED PROOF**

**At Macquarie Room, Parliament House, Sydney on Wednesday, 21 February 2018**

**The Committee met at 9:00 am**

**PRESENT**

The Hon. Paul Green (Chair)

The Hon. Ben Franklin

The Hon. John Graham

The Hon. Adam Searle



**The CHAIR:** Good morning and welcome to the third hearing of the Select Committee on Electricity Supply, Demand and Prices in New South Wales. Before I commence I acknowledge the Gadigal people, who are the traditional custodians of this land. I pay respects to the elders, past and present, of the Eora nation and extend that respect to other Aborigines present and those who may be listening online today. This morning the Committee will hear from the Public Interest Advocacy Centre, the NSW Council of Social Service, the Combined Pensioners and Superannuants Association, the St Vincent de Paul Society, Energy Consumers Australia, the NSW Business Chamber, NSW Farmers, Professor Andrew Blakers, and the Australian Taxpayers Alliance.

Before we commence I will make some brief comments about the procedure for today. Today's hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I remind media representatives that they must take responsibility for what they publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside their evidence at the hearing. Therefore, I urge witnesses to be careful about any comments they may make to the media or to others after completing their evidence as such comments would not be protected by parliamentary privilege if another person decided to take an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat.

There may be some questions that witnesses could answer only if they had more time or with certain documents to hand. In these circumstances witnesses are advised that they can take the question on notice and provide an answer within 21 days. Witnesses are advised that any messages should be delivered to Committee members through the Committee staff. To aid the audibility of this hearing, I remind Committee members and witnesses to speak into the microphones. In addition, several seats have been reserved near the loudspeakers for persons in the public gallery who have hearing difficulties. Finally, I ask everyone to turn off their mobile phones or turn them to silent for the duration of the hearing.

**CRAIG MEMERY**, Policy Team Leader, Energy and Water, Public Interest Advocacy Centre, affirmed and examined

**The CHAIR:** Would you like to make an opening statement?

**Mr MEMERY:** Yes. It will probably take 12 or 14 minutes to deliver, but I can make some truncated remarks.

**The CHAIR:** That will be fine. I will interrupt you if we are concerned about time.

**Mr MEMERY:** Thank you for the invitation to speak today. I am grateful for the opportunity and commend the approach the Committee has taken to this important and obviously timely review. The Public Interest Advocacy Centre seeks affordable and sustainable energy and water services for New South Wales households. We have a particular focus on disadvantaged households. Our ultimate goal is that energy bills come down. We do not see decarbonising the energy system as an option in that process; it is non-optional and we must work towards a cleaner energy system. That system must remain as reliable as people are prepared to pay for it to be. Ideally, it would be no more reliable than people are prepared to pay for.

The development of each element of Australia's energy markets has been predicated on a common national electricity objective that puts the long-term interests of consumers first. In our view that means energy supplies should be provided at lowest possible cost. New South Wales energy bills have long been unacceptably high and they are increasingly unaffordable. There is no single cause, but underpinning it is a number of inefficient outcomes in both the regulated market and the competitive parts of the energy sector. It might be tempting to view those spiralling prices as an abject failure following the reforms of the past two decades. Rather, we view them as an opportunity, with further major reforms and targeted interventions, to turn that around to the benefit of New South Wales consumers. We see it as an opportunity; in fact, we believe that with the right measure of reforms—which I will talk about today—New South Wales household energy bills could be 25 per cent lower than they are today by 2025.

That target would need a program of reforms in six priority areas. I will talk to that, but before doing so I will talk about the timing of 2025. We believe New South Wales is generally left with two options to address these issues. We are in a national market with national systems, and one option is to promote changes in that market. That can be a rather slow and tortuous process at times. It is like turning a large ship, especially when other jurisdictions are involved. New South Wales also has the option sometimes to jump from the big ship for a little while, to take a fast boat and then to let the big ship catch up with important changes that need to be made. I would encourage the Committee to think about either of those options in relation to some of the measures that are needed.

I return to the goals and where we see there being priorities for reform. We believe there are six priority areas. The first relates to energy retail markets. They must be competitive so that consumers have access to a real choice between a range of options for energy services. However, at the same time they need to recognise that energy is an essential service and people should not need to be a maths professor to be able to work out how to get a fair price for such a service.

Who is the retail market working for today? There is a small cohort of highly engaged consumers—that is, those who have the time, the money, the energy and the energy literacy to be able to shop around, to pay every bill on time, and to renew their contract every year or so to stay on the best deal. In our experience, the people who can do that are in the minority. When they do get a good deal, it is attached to a pay on time discount. Therefore, for those on a low income and struggling to pay their bills on time, that good deal quickly turns into a bad one when the discount turns out to be a huge late payment fee in disguise.

We must put an end to pay on time discounts. They have the effect of pushing higher prices onto those who need the most support. Of course, for those who are making savings, the cost of those savings is borne by the less engaged consumers. There is also a lazy tax, which goes straight to the bottom line of energy retailers. This raises the question of how much we can rely on market alone to fix this problem. There are some hard decisions to be made, including if there should be intervention in terms of regulation of the retail market and what it should look like. I think we can fairly say that it has been proven that if we want a market in which consumers pay no more than they need to, we need to consider some modicum of regulation.

What can we do in New South Wales, given that we are operating in an almost national context? We share retail regulation with Queensland, the Australian Capital Territory, South Australia, Victoria and Tasmania. We could still do things to move towards a ban on pay on time discounts, or least a requirement to

reflect that those discounts are no more than the true cost late payment to the retailer. That would probably have the same effect of getting rid of them and giving all consumers to access discounts regardless of their ability to pay.

Another opportunity is we could clamp down on some uncompetitive marketing practices such as retailer win-back. This is the practice where someone changes their energy retailer and then their first retailer is notified that they are about to change, so the first retailer calls them back and is suddenly able to offer them a better deal that they were not able to offer them before. It might sound like a good outcome for the consumer on the face of it, but when you consider the broader outcome across the market it means that a consumer who just makes a call to their current retailer only gets the third best offer they could. If they then change a retailer, they get the second best offer. It is only those who are super engaged who know they have to change retailers and change back again that get the best offer. It is a bad market outcome. If we have a ban on win-back marketing then consumers would know they could get the best offer the first time rather than being pushed around like a ball in a pinball machine.

Priority two for us is in wholesale markets, which is a big area with a lot of focus at the moment. We need reforms that deliver effective competition in the wholesale energy market while making the transition to cleaner energy sources. We particularly need fundamental changes to bring about a greater amount of demand side management. We also need to have a serious conversation about what we are prepared to pay for with respect to reliability, especially when we consider measures on the table like Snowy 2.0, which has the potential to lump huge transmission costs on energy consumers' bills in New South Wales. I would like to come back to the reliability issue. Rather than lump huge transmission costs on the bills of energy consumers, we see that a better use of that would be to invest in and improve demand side solutions for households that would reduce transmission costs rather than add to them, such as promoting demand response, batteries and the uptake of renewables.

On demand response, we currently have an energy only and generation only wholesale market which is dominated by energy gentailers—these are businesses whose business is generating energy. If a consumer wants to sell demand response such as lowering their air-conditioner load during a peak time into the market, they have to do so through their existing retailer. They do not have the option to go to an independent third party to do this. As a result, we are finding that consumers do not have the offers to do that in an efficient way and share the benefits with everyone. In fact, some research we are doing at the moment indicates that more than 90 per cent—possibly as high as 99 per cent—of consumers are with energy retailers who will not offer them a demand response product of any type, so there is a massive opportunity there that is going untapped.

The way to get around that is to have an independent demand response mechanism. Currently it is as if a consumer has to go to one shop to buy all of their goods and cannot go to more than one shop. They can only go to their retailer if they want to do demand response and get paid for it, and retailers are not offering the products because their business is generating and selling energy, not helping people use less of it at certain times. There are national processes in train which could benefit from the focus of the New South Wales in promoting demand response mechanisms. Additionally, the New South Wales Government could continue to do things that it has in recent times.

Our third priority is around energy networks—obviously a huge part of the bill. They need to be efficiently managed and underpinned by transparent decision-making and effective regulation to ensure acceptable reliability at minimum cost to consumers. I keep mentioning reliability. We have a particular concern that consumers are not getting a real say in how much they are prepared to pay for reliability and whether they would be prepared to trade off some degree of reliability for lower costs. In recent years we have heard from people across New South Wales—from north to south and east to west—talking about energy. One message they had for us is very clear, and that is that the price is too high. Prices well exceeded reliability among their concerns.

Essential Energy, who cover most of New South Wales geographically, have recently done their own very good research with New South Wales households with deliberative forums. They have found that in regional areas of New South Wales, given the choice between having higher reliability and higher bills, the same as they have now in both cases, or lower bills with the trade-off of a few more blackouts to allow that to happen, two out of three consumers have said, "Reliability is actually higher than we need it to be. We would be quite happy to have lower reliability if that is what it takes to help us manage these spiralling prices." Essential Energy's consumers are telling them loud and clear that they do not need to keep working to this gold-plated, hyper-reliable level.

That is a bit of an uncomfortable truth, because reliability is obviously in the public eye and in the media, but when we consider the alternatives for managing prices, particularly with a business like Essential Energy, some of the alternatives like asset write-downs do not look quite as favourable. Looking at the reliability-price trade-off is key. I am not singling Essential Energy out in that. They are actually doing more than any other business in New South Wales at the moment, where they can, to try to keep prices down. I feel it is important to get that on record, but they do have an issue of a ballooning regulatory asset base on the back of reliability standards that is difficult for them to control. This will only be perpetuated if we keep the same levels of reliability up. We have built the network to a standard. If we maintain those same reliability levels, we are going to have to keep building more infrastructure.

The fourth priority is around supporting frameworks for people who are doing it tough. This includes concessions, rebates and hardship programs which provide adequate assistance for those who need it, when they actually need it. Given that there are a number of transitions underway in the energy market, we really need to take an entirely different approach to how we help these people. There are many ways that people experience disadvantage in energy. There are those with mental health issues and medical conditions—especially thermoregulatory and life support, who are entirely dependent on energy use for maintaining health and quality of life—but they all have one thing in common, and that is that they have much more pressing matters in their life than to negotiate complicated and confusing market deals just so they can access an essential service.

If we are serious about helping out those people in disadvantage in New South Wales, just doing things like ratcheting up the level of existing rebates is not going to cut it. We need real safety nets in the form of support that spare people the pitfalls of the competitive market. One way to do this is a safety net energy tariff, which could protect people from that. A safety net tariff could be offered in different ways, and I invite further discussion and questions on this rather than me detailing those ways right now. I will continue to move on. Another important too is having proportionate concessions arrangements. That means they go up and down according to people's bills, so they ensure people have the right level of support for their situations. These arrangements have very successfully and effectively been in place in Victoria for some time, and they work. I will leave it to NSW Council of Social Service [NCOSS] and others the Committee will be hearing from today to talk in more detail about those items.

Another issue we really need to understand the changing nature of hardship as well. Consumers who have not previously identified as hardship consumers are now experiencing difficulty paying for their energy for the first time. That includes working families sometimes on middle incomes who have found out that they are only a job loss, a sickness or a bereavement away from not being able to pay for some important costs in their life. These people are often unaware of their entitlement to hardship support of different types. Due to the stigma associated with it, they might be disinclined to seek help in the same way. There are methods available to help get the message out that those support frameworks are there for all people.

Our fifth priority is around all people having access to distributed energy sources, demand side options, batteries and rooftop solar—all the spoils of the energy revolution that are on the way. People should not be disadvantaged by factors such as their income and housing tenure, because not everyone who is disadvantaged is actually disengaged with the energy market. Many do want to shop around, get the best deal that they can and access new technologies, but today the market does not give them an opportunity.

They cannot put solar panels on their roof—they do not own their roof, they live in an apartment or they cannot afford it. They cannot shop around for the best deal or they cannot access the best deal because the best deal is attached to a pay on time discount. We have a lot of opportunities in New South Wales to turn that around. One idea the Committee will hear of today and something we will certainly join the cry for is for the New South Wales Government to use funds set aside for the New South Wales Climate Change Fund to prioritise vulnerable households and communities and ensure that they have the information and tools that they need to be able to benefit and not be left behind in the energy transition.

Our sixth priority area is around all the non energy-specific policies that still affect people's interaction with energy. We are talking about housing, health, privacy, digital, and information technology and communications [IT&C], income support and disability. These are all areas where there are developments that occur which affect people's use of energy, particularly disadvantaged people. This is an emerging and growing issue and we would call on the Government to consider supporting a cross-sector, cross-department approach to addressing some of those barriers to affordable and sustainable energy. Chair, I have a few comments on reliability in the wholesale market as an emerging issue, but I wondered if you would like me to stop.

**The CHAIR:** Are members happy for Mr Memery to continue?

**The Hon. ADAM SEARLE:** Very happy.

**Mr MEMERY:** Considering the events of the last couple of years, particularly since the South Australian blackout, and the big focus on security and reliability, I think we have come to the view that one of the single best things that our representatives could do for the people of New South Wales is to continue to not go down the path of politicising energy reliability in the wholesale market in the same way that has occurred in some other jurisdictions, which has a negative impact on consumers. We are very lucky at the moment to have an energy Minister who has put people before politics on a couple of fronts in particular, one of those being around the summer supply of energy. There has been a lot of scrutiny over the supply of energy this summer and reliability issues, more than any other summer in the past, and Minister Harwin has reminded us that occasional blackouts are a reality if we do not want escalating energy bills.

This is a fact we cannot ignore. Yet it has been ignored by the Leader of the Opposition in Victoria, whose politicking goaded the Victorian Premier into requiring privately owned energy businesses to compensate people for short blackouts over and above existing and effective compensation that is in place for those who have genuinely compromised supply. Until now, Victoria has had some of the most cost-efficient energy networks in the country. But that is probably all about to change because an action like that will set Victoria on a path to gold-plated networks, which is where we have already been in New South Wales and we do not want to go back again. I stress absolutely that I am not emphasising any political party there; I am just pointing out the political machination and how it has worked. Some media has been no benefit in relation to that issue.

This is a particularly important issue in the context of the wholesale market at the moment, where there is focus on things like the National Energy Guarantee. I think the point that we would stress in the development and the design of the National Energy Guarantee—which is without a doubt a very important conversation that needs to be had—is that we actually do not have a reliability problem in the wholesale energy market. If you look at all the modelling that has been done, even by the reliability panel—which is a beast of the Australian Energy Market Commission [AEMC]—that exists to recommend what settings are made around reliability, its own modelling shows that the national standard that we have for reliability will be achieved many times over in terms of reliability, even in the current summer.

South Australia has effectively had 100 per cent reliability since the outages of February last year at that level. Yet even in South Australia there is so much focus by the media and others on reliability that money is being spent, hand over fist potentially—more than is necessary or should be necessary to maintain the level of reliability that people accept. Understanding that level of reliability that people accept is actually key, and it might surprise you to know that it has been years since there has been a study of what level of reliability people are prepared to pay for. There has actually never been a study that does it in a comprehensive way across the whole sector, that takes into account the wholesale market, transmission market, distribution market, the opportunities that people have to manage their own levels of reliabilities through technology and through behaviour change, and so on.

We call for a study like this to be undertaken. There is an opportunity to do this with—I am trying to avoid all the acronyms—a thing called VCR, which stands for value of customer reliability. A really important study that is usually done by the Australian Energy Market Operator, and there is a real change in process. The AEMC is looking at the market commission to potentially transfer that to the regulator. In doing so, I think there is an important opportunity to open up the scope of that study, beyond the rather narrow scope that it has currently applied, to really understand once and for all what consumers are prepared to pay for reliability in different parts of the system. It would be an important input to the National Energy Guarantee debate. I will leave it there and invite further comments and questions. Thank you very much for your time.

**The CHAIR:** Thank you for that comprehensive opening statement that cuts across the issues that we are facing. I have recently experienced the best deal if you pay on time: I was amazed that there was nearly a \$150 saving. Can you explain how the energy giants are able to absorb \$150 if consumers pay on time?

**Mr MEMERY:** The energy giants are not absorbing \$150 if you pay on time; they are getting a \$150 windfall when you do not.

**The CHAIR:** That is right. Have you pulled apart the bill to see how that can be? As you noted, families undergoing hardship are concerned about sickness or loss of jobs; \$150 is a pay cheque for those people for a whole bill.

**Mr MEMERY:** Absolutely. And for a lot of people who have large families, who live in inefficient rental homes that use a lot more energy, who are restricted to use inefficient appliances to heat those homes as

well, the difference could be much more than \$150 in their quarterly bill, potentially mounting into the thousands per year for some.

**The CHAIR:** You have commented that the Government should consider banning that type of promotion. For me as the father of a large family who is paying the bills, \$150 is a massive saving. What is the impact of banning such a scheme? It must be partnered with something to keep that saving of \$150.

**Mr MEMERY:** Currently, the way it works is that the engaged consumers who have the money to be able to pay their bills on time get what would be considered an efficient market deal when they do get the best offer. Just a big discount does not necessarily mean you are on the best offer, because retailers do not all follow a consistent recommended retail price. Some of the analyses that have been done have shown that consumers might be better off with one business that is only giving them a 10 per cent discount, compared with another that is giving them a 40 per cent discount, because usually the 40 per cent discount is just on an inflated rate. There is a term that has been used by some called "Kathmandu pricing", in honour of the camping store that has been noted to have higher rates from which it then offers quite significant-looking discounts. It is fine for a camping store to do that but for an essential service that people need to access in a way that is not confusing, that is not so acceptable.

It is important to stress that banning pay on time discounts would not mean people do not get discounted energy bills and cheaper energy bills for shopping around; it just means that the regressive nature of energy payments at the moment—where people who earn less pay more as a result of how that marketing works—would go away. It would not stop you getting your \$150 savings from shopping around, it would mean that your saving would be probably not attached to you paying on time. Ultimately, if another measure is put in place, it could be that for certain customers—those who are disadvantaged—the retailers are unable to offer only pay on time discounts for people who are disadvantaged and might need to offer them just a flat discount rate. There are some energy retailers who just offer a flat rate because the way energy retailers really benefit from pay on time discounts, as opposed to any other type of discount, is because the market is a "confusopoly" and people do not realise how to actually shop around for the best deal.

**The Hon. ADAM SEARLE:** Just on that, Mr Memery, the offers made by different retailers are often very confusing. Should they not be required to make readily comparable offers? If you go to the supermarket it does not matter what size or shape the packaging, there is a cents per gram measure so that you can compare the different offerings. Should there not be a similar requirement for retailers?

**Mr MEMERY:** That is a very good question. I would agree that if there was a crackdown of some description on pay on time discounts, one likely outcome is that you would see retailers competing on the basis of just the actual price.

**The CHAIR:** Because \$150 is not just a bit of fat in the system in terms of profit margin; that is obesity?

**Mr MEMERY:** Yes.

**The Hon. ADAM SEARLE:** Just on what you were saying about the artificial discounting, those discounts are often on what is called a standing offer, which is often at a much higher level than what people are actually paying. Should there not be truth in advertising requirements for retailers so that when they are saying, "You can save X per cent discount", that is actually a real discount off what customers are actually paying not off some theoretical inflated price?

**Mr MEMERY:** Absolutely. We would go a step further and say that if retailers do insist on marketing their products on the basis of a discount, there should be a set agreed base recommended retail price that they are all sticking to so it is consistently marketed. The only way that consumers could actually understand and be informed about what benefits they are getting from a purported discount is if it is from the same flat rate.

**The Hon. ADAM SEARLE:** The State Government spends, I think, over \$250 million a year on various forms of rebates and government assistance for vulnerable customers but there is no obligation on the electricity companies receiving that money to actually make sure those vulnerable customers are on their best deal. Should there not be a quid pro quo that in return for getting government subsidies the retail companies have to put those vulnerable customers on the best deal they have available?

**Mr MEMERY:** Absolutely; I could not agree more. I would go a step further and say it would be reasonable that retailers—because energy is an essential service and not all consumers who are experiencing vulnerability and disadvantage are actually addressed by subsidies, rebates and hardship programs—just ensure that all consumers are on the best deal for them.

**The Hon. ADAM SEARLE:** That is an interesting point. The State Government has been talking about this. Why have they not done this at least for vulnerable customers?

**Mr MEMERY:** I cannot answer a question about what the State Government does or does not do but I would certainly say that there has been a lot of attention by the Government on energy rebates in recent times and we would certainly call on the Government to have a fundamental rethink about how the rebates program works as to who can access it in terms of the process for them accessing it. For the most part the process is something that most consumers find productive, although there is room for tweaking it and people are missing out because of access issues but the biggest single thing that could be done is linking the rebates and the concessions to the amount of energy that people use, so a percentage based rebate where it is a percentage of the bill. In that way people still have an incentive to save energy but they have that safety net so if it is a five-person family in an inefficient home, they get a bigger concession than a frugal pensioner living in an efficient home that they own.

**The Hon. BEN FRANKLIN:** So that it is the safety net energy tariff that you were talking about before?

**Mr MEMERY:** That is a good question. There were two things that I spoke about before. One was the proportionate concessions and that is what this is. The safety net energy tariff, which I am glad you have raised, is an idea and is a bit more of a compromise to the fact that people still are entitled to shop around for an energy deal while giving them a protection in the form of access to a cheap, vanilla, uncomplicated tariff that fits their circumstances.

**The Hon. ADAM SEARLE:** This is the basic service offer that Professor Thwaites in Victoria mentioned?

**Mr MEMERY:** Absolutely. Social tariff was the term that used to be used a lot; however, because it has been quite heavily debated and on both sides there have been different views about social tariffs we have sought different names for it in recent times—safety net, basic service offer, but it all comes down to the same basic idea; it is a social tariff. The purpose of it is to ensure that people who are doing it tough can afford to access energy. There are different ways that a social tariff could be implemented. At one extreme a government could start up their own retailer and offer that tariff just to specific customers and it could be a subsidised tariff that costs equal to or even less than the efficient cost of providing energy.

It could be funded though in the same way that a concessions budget is funded so it need not actually have a greater impact on the budget than a concession arrangement. As to the transition, of course, one of the biggest issues when we talk about moving to a different type of concession arrangement or moving to a social tariff is the perception of winners and losers. Currently we have a flat tariff arrangement which means that if you are a low energy user and we moved to a proportionate concession your rebate or your assistance voucher or whatever might actually go down. That is actually an easily addressable problem through having transition arrangements and even through just setting a baseline so that those people who do use less energy do not lose out in the short term.

**The Hon. JOHN GRAHAM:** Just coming back to the basic service offer though. The idea behind that is really that if I just want to turn on my power at home, have the light go on, but I want to know I am getting a decent price for it, I am not paying above the rate I should be, then I can go on a plan that suits?

**Mr MEMERY:** Yes.

**The Hon. JOHN GRAHAM:** There are no bells or whistles but I know I am getting good value for money. There are a range of ways to tackle it?

**Mr MEMERY:** Yes.

**The Hon. JOHN GRAHAM:** That is really the principle behind it?

**Mr MEMERY:** Absolutely. And in our view that is something that is essential and should be offered for vulnerable and disadvantaged consumers in particular.

**The Hon. JOHN GRAHAM:** That is because this is an essential service and also because it is not particularly complicated?

**Mr MEMERY:** Yes.

**The Hon. JOHN GRAHAM:** It is the same electrons coming out of the power point; I should be able to get some sort of basic price for that?

**Mr MEMERY:** Yes. And it acknowledges that those consumer should not be required to go and shop around and engage with the complicated energy market and that those consumers have more barriers to doing that potentially than other consumers and that they are worse impacted by the ineffectiveness of competition in the energy market since deregulation, which has resulted in growing prices for consumers.

**The Hon. JOHN GRAHAM:** You have described it this morning as a "confusopoly" and it certainly is pretty confusing, as a consumer. This is a deliberate strategy though by these companies, is it not?

**Mr MEMERY:** Absolutely.

**The Hon. JOHN GRAHAM:** The number of offers out there, the degree to which this is confusing, is a deliberate attempt to maximise profit?

**Mr MEMERY:** I would agree with that. It is consistent across every other sector. You see it a lot in insurance and you see it in phones; a few things are quite common. Firstly, retailers in all of those sectors, including energy, offer the best deals to new customers and they penalise loyalty by charging customers more and more the longer they are with them. You can be with a retailer and you will be paying more to them after two years than your neighbour who has just signed up with the same retailer unless you have actually got in touch and renewed your contract and even if you have got in touch and renewed your contract, your neighbour is probably still paying less because they are a new customer.

**The Hon. ADAM SEARLE:** Getting back to the point the chairman made about whether there was fat in the retail prices or whether there was obesity, in the wake of the Thwaites review in Victoria, the Victorian Government indicated it was considering a number of the recommendations and sat the big retailers down and then miraculously the big three retailers cut the bills of their customers, particularly those on standing offers and concession card holders, by up to 28 per cent, which would save them in some case over \$700 a year. That means the customers of those big three in Wodonga near the border are paying something like 10 per cent less than customers of those same companies in Albury. Why should Victorian customers get the benefit of those discounts and why are those companies not offering the same price reductions at the retail end here in New South Wales?

**Mr MEMERY:** That is a great question and there are probably a few different ways to approach it. Firstly, I would be saying in New South Wales you certainly would not want to have the retail margins that Victorians have had in recent years. Victoria, which has had more retailers and has had competition for longer, has actually had cheaper energy but higher retail margins because the underlying network price has been a lot lower.

**The Hon. ADAM SEARLE:** But there is no transparency around what the retail margins are at the moment?

**Mr MEMERY:** No, there is not.

**The Hon. ADAM SEARLE:** But there should be, should there not?

**Mr MEMERY:** Absolutely, and what we think is that New South Wales has been, over time, heading the way that Victoria has as the energy retail market has "matured". I say "matured" in inverted commas because I mean matured as just got older rather than got better. It does appear that we have been heading the way of Victoria. I was speaking to a taxidriver on the way to a television interview on Sunday and he told me he had been called during the week and offered a 42 per cent discount, apparently.

**The Hon. ADAM SEARLE:** Was it a real discount?

**Mr MEMERY:** He was a smart guy. He did his homework and compared it to the current 20 per cent discount he was getting from another business and found he was much better off with the 20 per cent discount he was already getting.

**The Hon. ADAM SEARLE:** So it was not a real discount?

**Mr MEMERY:** It was a real discount off an inflated rate, which is what we often hear about. Those figures are frightening. The fact that we are hearing about those figures in New South Wales means that we are coming precipitously close to where Victoria has been with retail margins.

**The Hon. JOHN GRAHAM:** Mr Memery, are you saying that it could get worse in New South Wales, and that Victoria's prices have been deregulated for longer than New South Wales' and we could head down the Victorian path?

**Mr MEMERY:** Yes, we could. The very realistic threat of deregulation in Victoria is probably what motivated the Victorian energy retailers to turn their approach around.

**The Hon. ADAM SEARLE:** Why should we not do the same here?

**Mr MEMERY:** That is an excellent question. We would stress that regulation could take a number of different forms. It is broadly acknowledged that there are competitive benefits for consumers who do want to compete and enter the market, so if we regulated prices across the board to a flat efficient price, such as they still do in parts of Tasmania, Queensland—

**The Hon. ADAM SEARLE:** The Australian Capital Territory.

**Mr MEMERY:** —and ACT, then you would ensure that consumers get affordable prices, but you would compromise innovation and choice of retailer. Choice of retailer for its own sake does not give benefits and competition in its self does not—

**The Hon. ADAM SEARLE:** To pause there, would greater transparency on the retailed price and retailed margin and the restriction of excessive profits allow for innovation, new product development and competition between retailers while still ensuring better outcomes for customers?

**Mr MEMERY:** Absolutely, although just providing the information to consumers would not be enough. Some consumers are already finding it difficult to shop around for a retail deal and compare retailer to retailer, so having the extra information about what the retail margin is over and above the distribution costs is not going to add value to them; it is probably going to make it more confusing. Your point about cracking down on the profit margins is the key point there.

**The Hon. BEN FRANKLIN:** Mr Chair, I have a few questions as well, if that is okay.

**The Hon. ADAM SEARLE:** I have one last question.

**The Hon. BEN FRANKLIN:** You have many questions and we only have four minutes to go.

**The CHAIR:** Order! I did explain some things right before the Hon. Ben Franklin got here, due to his late flight. We will keep going because this is important. Before we go back to Mr Searle, it is not usual for the Government to implement boundaries on super profits—we did it with green slip—so it could be done with energy pricing.

**The Hon. ADAM SEARLE:** Mr Memery, regarding greater transparency, you have given some evidence that the bills are made up of different components. Should people's retail bills be broken down so they can see how much of the bill is made up of the network, retailer and other elements—that is, so they can see how much they are paying to whom?

**Mr MEMERY:** It is good question and one that we are grappling with. On one hand, giving consumers that extra information is helpful so that they can see what is going where. All of the work that we do that focuses on consumers looks at four different types of consumers: those who are engaged and not disadvantaged; those who are disengaged and not disadvantaged; those who are disadvantaged but engaged; and those who are disadvantaged and disengaged. We find that those who are engaged—on both counts—would benefit from that extra information and it would help them shop around. But it could make it more confusing for those who are disengaged.

It is about it being fit for purpose. One way of doing that for all customers would be to do that at a contract level or point-of-sale level. Consumers might not see it when they get their bill but would make a decision about their retailer at the point of sale. If a retailer was required to disclose that information in a standardised way at the point of sale then consumers could compare the information when they are deciding which retailer to go with, rather than when they get their bill, which they only devote approximately six minutes a year looking at and crying about.

**The Hon. BEN FRANKLIN:** I thank Mr Memery for being here today and apologise for being four minutes late—I was on a late flight from up north. Mr Memery, I want to talk about your contribution on solar and the increasing uptake of solar and batteries. At the moment, solar is predominantly utilised in standalone housing, which clearly involves people who are less pressured financially. Mr Memery, you talked of the need to prioritise vulnerable households. How do you think the uptake for solar and batteries can be improved for those who do not live in standalone housing?

**Mr MEMERY:** Thank you for the excellent question. First, because our focus is foremost on enabling solar for disadvantaged homes, the focus is on social, government and Aboriginal housing. Giving people in

those housing arrangements the opportunity to access subsidised solar, either through it being fully paid for or subsidised through grants programs or no-interest loans or low-interest loans that allow people to pay it back through the savings they make, is a really obvious and easy thing to do. People who live in apartments have a big challenge with regard to—I will try to avoid the rabbit warren here—their metering arrangements. They often have a small amount of roof space shared between a large number of people and the people who benefit from solar are the people who have it connected behind their meter, on the same side of the meter as their load, so they get the price reduction. Our metering arrangements do not currently allow for those benefits to be shared in an apartment.

I have tried to avoid too much tech-speak, but there are ideas around virtual net metering and other options, which could be enabled for co-located dwellings to allow them to actually share the benefits of solar and batteries. Another challenge with batteries is that we currently have a mismatch or misalignment of the development of standards for batteries. A battery installation standard is being developed before we have a battery safety standard, which means that the battery installation standard effectively says that one has to put batteries in a concrete bunker outside a home. That means that the people who could use battery technology in apartments because they cannot necessarily access solar are not able to. Batteries could be the equivalent to solar for a large number of people in apartment dwellings, but those standards issues need to be addressed.

**The Hon. BEN FRANKLIN:** I have one final question. Mr Memery, you spoke about the potential to re-regulate and I thank you for your comments on that. There are some smaller retailers who offer quite unique services, such as Powershop and Enova Energy, which is in my part of the world on the North Coast—I am sure you are aware of it. How do you think those retailers would be impacted by re-regulation?

**Mr MEMERY:** That is a great question. That issue is why we think that although the approach to re-regulation does need to be considered, it needs to be considered with those impacts in mind. Enova Energy, which is a community-owned retailer, does not have the same profit motivations that other retailers do. It is part of the community and we would certainly want to promote businesses like that, because it is doing things to help address the affordability issues over and above—

**The Hon. BEN FRANKLIN:** It has also got some great programs on the issue that I was speaking of before.

**Mr MEMERY:** Enova Energy will not have a confusing pay on time discount or do some of those confusing things where companies focus on making it hard for people to understand—not easier. Enova Energy helps people save energy, which is counterintuitive to what a retailer does because it would like to sell more of it. There are ways of achieving regulation that helps to weed out the bad behaviour without restricting the good behaviour.

**The CHAIR:** Thank you, Mr Memery. We could easily go for another hour, but there are a lot of witnesses before us today.

**The Hon. BEN FRANKLIN:** I have one specific question that Mr Memery will be able to answer in four or five words. Mr Memery, in the reliability versus costs research that you did, did you test for how many days of blackouts people would be prepared to wear for lower prices, or was it just the concept generally?

**Mr MEMERY:** I will make a point about that which is not about the research in that particular case. In one country in northern Europe—I think it was Denmark—they did an intensive study that put a value on reliability in a very reliable energy system. Two weeks after the study finished, the country had a large blackout and 80 or 90 per cent of the country was blacked out for a day or two. They thought that would be a good opportunity to go back and ask people what they thought about reliability. When they did, people put a 75 per cent lower value on it. In other words, when people have experience with blackouts they realise that they are prepared to not spend as much avoiding them because they are not as scary as the media made them sound and they put a lower level on reliability. All the questions that go to consumers now around their experience of reliability are in the context of the extraordinarily reliable system that we have today. That probably sways the results. The research I referred to was done by energy market institutions, not ourselves.

**The CHAIR:** My comment is big businesses may have a different view on blackouts. Thank you for your evidence. You will have 21 days to reply to any further questions we may put to you on notice. The secretariat will be glad to help you with that.

**Mr MEMERY:** I welcome those questions. Thank you again very much for the opportunity to speak today.

**(The witness withdrew)**



**TRACY McLEOD HOWE**, Chief Executive Officer, NSW Council of Social Service, affirmed and examined

**The CHAIR:** Would you like to present an opening statement?

**Ms McLEOD HOWE:** Thank you for the opportunity to appear at this inquiry and to provide opening remarks. The NSW Council of Social Service [NCOSS] believes there is an urgent need for a comprehensive and coordinated response to making energy fairer and more affordable in New South Wales. It is a really complex system. It is important to note to the inquiry that even those with expertise in the policy area struggle to grapple with the situation in relation to retail costs and the pressures. Indeed, as the CEO of an organisation that represents people in poverty, every time I have to discuss this issue I have to be rebriefed and read and still it is a struggle. To think about those in poverty and disadvantage, can you imagine that compounded?

NCOSS has spent the last two years talking to people and communities across the State, gathering stories and working to understand how the cost of electricity is impacting upon their lives. It has increased as an issue. It is both a looming and existing energy affordability crisis. We have found that to pay electricity bills a growing proportion of families and their children go without food, medical treatment, choose when and when not to bathe, and live in the dark and the cold. They get disconnected and get into crippling debt as a result of the bills they cannot afford to pay. They cannot reduce them any further and it impacts their mental health. It also has impacts on children.

This is an immediate crisis for people experiencing poverty and people with low and fixed incomes. The unaffordability of energy is increasingly a problem for the whole community. Our expertise today is not conveying what is happening on the ground in our communities, the lived experience. Like many of the representatives presenting today, we know there is no magic bullet that will make access to essential energy services fairer and more affordable for everyone in our community and we all know the solutions will involve action from a variety of places—community, business and government at all levels. But certainly the New South Wales Government role in supporting communities and ensuring fair and affordable access to essential services is an absolutely crucial lever.

I would like to take this opportunity to amplify the key recommendations that the NSW Council of Social Service detailed in our submission, many of which are supported by others testifying today and are based on evidence collected over a number of years. To address the immediate crisis in affordable access to energy for the growing number of vulnerable people in our community the New South Wales Government must prioritise a comprehensive review of the energy rebate supports for low-income households. The Family Energy Rebate—I am sure you have heard already—is poorly targeted and is not managing to get where it needs to get. It is not getting to the low-income families it is intended to support. We would say it should be repurposed with the funds allocated going towards a reformed low-income household energy rebate, which should also be extended to holders of the Commonwealth Low Income Health Care Card, students and apprentices who are currently excluded from eligibility.

Reform of rebate supports must also make the Low Income Household Energy Rebate a fairer and more appropriate support for affordable access to essential electricity services, making sure that a percentage approach is taken rather than a flat rate. Making access to energy fairer and more affordable must also involve measures to ensure that the electricity market works for consumers and our community. As you would already have heard, independent inquiries in Victoria and by the Australian Competition and Consumer Commission which we cited in our submission have highlighted that there is a serious dysfunction in the retail electricity market.

For too many people the common practices of retailers and the complexity of retail offers is resulting in bills that are higher than they need be. The New South Wales Government has a responsibility to ensure that those retailers providing services to our communities in New South Wales are provided those services fairly, equitably and efficiently. To that end, consideration must be given to measures such as a basic service offer—a no-frills offer—for those who are most vulnerable and requirements for rebate customers to be on retailers' lowest cost offer to protect and support fair and affordable access to electricity.

Finally, I would like to highlight the crucial role that the New South Wales Government can play in supporting vulnerable households to control their energy through helping them to access sustainable energy solutions. We know that households with low incomes, particularly in rural and regional communities, who we see and visit during the year, are most vulnerable to the burden of unaffordable electricity. We know that these very households are least likely to be able to access the significant opportunity that sustainable technology solutions such as solar storage and improved energy efficiency can provide in lower energy costs. For this

reason, NCOSS joins with the Public Interest Advocacy Centre, the Combined Pensioners and Superannuants Association, Community Power Agency, Solar Citizens and others in calling for the New South Wales Government to use the funds set aside in the Climate Change Fund to prioritise vulnerable households and communities, starting with enacting the proposed Smart Energy Communities program.

The current energy affordability crisis has been many years in the making. We have watched it unfold but certainly in the last two years it has become pointed and stark. We need to take coordinated action across community and government to address it and it is imperative we start now. We are really pleased that this inquiry is occurring. The New South Wales Government to date shows some willingness to invest in building the physical infrastructure necessary to support opportunity. We also think it is vital that we invest in ensuring that all people in our State have fair and affordable access to energy services that are essential for them to have other opportunities.

**The CHAIR:** During a housing inquiry we talked about key workers in the city—nurses, teachers and police—finding rental properties and housing affordable. I guess energy is becoming unaffordable for them as well. I see the statistics in the report that the number of people or families on hardship programs has increased by about 26,000. Do you have any evidence that key workers like those I mentioned are also accessing hardship provisions?

**Ms McLEOD HOWE:** We do not have evidence in relation to the specific work that people undertake in that instance, but I think it is interesting to note that our membership includes big charities. I know St Vincent de Paul are giving evidence today. They were very happy to give me some case studies before I came in to get a flavour of what is happening on the ground. At one of their hubs in the Western Sydney area St Vincent de Paul are seeing an increase in access to Energy Accounts Payment Assistance [EAPA] vouchers and that includes the working population. This is not just people who are relying on Centrelink benefits. This is people who are in paid work who simply are getting bill shock for a variety of reasons including complex retail provisions within their contracts from their provider or their landlord or whatever that situation—that is why it is so complex—that has compounded to give them this bill shock. They are dealing with people in paid work as well. We know for that particular hub that they had handed out almost all of their EAPA vouchers in November for the financial year and we have seven months to go.

**The Hon. ADAM SEARLE:** You advocate for a basic service offer and I think you describe that as a sort of allocation of electricity that a customer would be able to use in a year and set a regulated price. Who would be best to determine what the annual allowance should be and what the price should be? Who should set that?

**Ms McLEOD HOWE:** We have a view that this should be a community issue. It should be the businesses involved, the Government, but also communities, and we have lessons to learn from Victoria too. My view is this is not just let the market decide. I was listening to evidence before, which was around the Victorian experience. Certainly what we are seeing is the creep going upwards very fast, and the worry for me is that if we just leave it to the market to decide, that it will not be a fair amount. So I think it needs to be a joint effort. Again, in our submission we have been really clear: We think that all of the solutions to having fair access to energy for vulnerable communities is a community issue.

**The Hon. ADAM SEARLE:** The big electricity companies seem to be making very healthy profits. Do you think there should be a legal restriction on the sort of percentage of profits they should be able to make, like there is in motor accidents here in New South Wales?

**Ms McLEOD HOWE:** I must admit, NCOSS has never turned its mind to that per se. I guess what we would say is that we try to be apolitical in those areas, but we certainly want to know that the most vulnerable in the community have access to energy and how that looks, and how the optics of that look is really a matter for the communities and particularly government, to decide, based on the submissions of the whole community. But the most vulnerable should certainly have access to energy and they should be able to afford to turn the lights on and bathe. In relation to whether there is some regulatory framework around the profits they are allowed to incur, then so be it. Certainly, if that was a way of making that happen you may indeed find that we would support that. But we have not turned our mind to the optics.

**The Hon. ADAM SEARLE:** Fair enough. You talk about the need for more transparency and the ability to compare offers from different companies, like you can get at the supermarket. That is obviously not happening at the moment. It may be that there needs to be some sort of regulatory intervention to encourage the retail companies to do that.

**Ms McLEOD HOWE:** Absolutely. It is astounding to think that the thing that is most essential in your life, next to your housing—and may I say that energy and housing costs are now almost running neck and neck as the issue raised by vulnerable families as something that impacts them—there is such an opaque framework in order to determine if you have the best deal. In fact, when you look at the families who may be going through our Western Sydney service looking for support, I would wager that they are not even sure what kind of deal they are involved in because so many other things are competing in their lives, and I see this as being an opportunistic way for the retailers to be opaque, and those people who are most vulnerable, at the end of the day are the most impacted.

Indeed, if you look at the concessions that the Government provides, again it is an area that needs a great deal of reform and recasting—they are eaten up by poor deals. Someone who is in poverty is not on the best deal they can have and, indeed, anything that they go to the bother of trying to find—because it is not easy to get the different concessions—if they go to all of that energy to get those concessions it is going to just be eaten up with the retailer. As the previous evidence showed, people do not even know what it is that they are purchasing, they do not know what deal they are on, but someone up the road who just comes in gets 40 per cent off. It is certainly unfair. There should be some kind of regulation to protect the most vulnerable. It is just basics, and any government of any colour I would hope would think that.

**The Hon. ADAM SEARLE:** So you would support a situation where those people who get the benefit of government rebates which are paid to the energy companies, those energy companies to receive that money should have to put vulnerable customers on the best deal they have available.

**Ms McLEOD HOWE:** Absolutely.

**The Hon. ADAM SEARLE:** Why is that not happening now? It sounds like a no-brainer.

**Ms McLEOD HOWE:** It sounds like a no-brainer. I could only posit that it is because there is no pressing need for them to do so. Certainly it seems that in Victoria, when the ire was raised of communities overall, all of a sudden the retailers came to the party and are trying to self-regulate in the face of potential regulation or re-regulation.

**The Hon. JOHN GRAHAM:** But there is a pressing need for these people whose bills are going up. You are saying there is not a pressing pressure on the companies or the Government to act.

**Ms McLEOD HOWE:** Not yet. One feels it is happening.

**The Hon. ADAM SEARLE:** In Victoria there is. The Victorian Government called in the big retailers and then the big retailers miraculously are cutting the bills, including for their most vulnerable customers, by up to 28 per cent. But nothing is happening here in New South Wales. Why?

**Ms McLEOD HOWE:** One can only surmise there is not enough pressure to bear on those retailers to deliver that, and maybe not enough understanding that the water has really come under the door for the most vulnerable and low-income earners—not just those who are in receipt of disability pensions or relying on Centrelink benefits; this is something that is beginning to really creep through the whole community. I would imagine that inquiries like this can bring pressure to bear; however, you have to know that when we are out in the field meeting people from Broken Hill to Wollongong, this is the issue now. It is surprising to me even that two years ago we started to see it come up neck and neck with the housing issue. Housing was always top of the list but it is not now; it is about energy.

In fact, what I think is very unfair and what we see as something that is hitting people hard is there is not even an understanding of how your bill is composed. You go to a neighbourhood centre or a family support service with a \$3,000 bill. To even understand how that is made up is a big ask because even those experts who are advocates for the people have to struggle through a pathway to try and find relief, bring the concessions that are available into the mix and also understand "Do they owe this?" I heard a story that might be interesting to the inquiry for context, again this is from the Parramatta area.

A man who has an intellectual disability and basically relies on all of the concessions available that his advocates have figured a way through—I could not figure my way through without asking for some advice; this is a difficult issue—with those concessions and Energy Accounts Payment Assistance [EAPA] vouchers, this gentleman is saying that he can find no way forward—this is with financial planning and support—to pay for all of his cost of living, including rent, without all of those concessions, including EAPA, which is supposed to be for the emergency, for the one-off, for the bill shock.

What you have is this ridiculous situation where a person has to be able to navigate a complex system to draw in two, three, four different types of relief just to get by day to day. We need to get everything on the table and start again and find a better way. And the quantum is not enough. This gentleman here that we are talking about, let us remember that his low income household energy rebate is going to be exactly the same as a mum of five who is in Broken Hill in a rental property that is poorly maintained, where she is cranking out much more hot water, energy, and they are getting the same rebate. What on earth is happening for her when this gentleman has all the support in an organisation?

**The Hon. ADAM SEARLE:** You have spoken about how confusing it is to navigate your way through the system, particularly for vulnerable customers, and one of the areas that we have received a fair bit of evidence on is the confusing nature of supposed discounts that are offered by different companies to attract new customers and to convince existing ones to not transfer away. But often when you look closely at that discount it is not a discount off what you are paying, it is a discount off a standing offer that is much higher than what people are actually paying. So it is very misleading. Should not energy companies when they are offering a discount be restricted to offering an actual discount on what customers are paying?

**Ms McLEOD HOWE:** Absolutely. For any consumer in any area where you are purchasing something, be it telephones or insurance, of course there should be clarity. The constituent base that we represent stand no chance in this situation when it is so opaque. I would preface this by saying that, indeed, they should be clear about the deal they are being offered and that if there is a 40 per cent discount, that may not be as attractive when you compare apples and oranges. However, what we are hearing on the ground is that our constituent base are not even connecting with the retailers.

What is happening is they sign up when they move into a rental property, they end up with whoever they end up with, 12 months later they may even default to a much more expensive package and what happens is that they have no connection; they do not even know—they just see their bill has gone up and do not realise they have kicked into a new package because their contract for the first 12 months is up. What we see is no connection and that is what worries me. The situation that you are positing there around making decisions—"Is this a good product? Is this a saving?"—those discussions are arguably not happening with the most vulnerable. They lock in and they just take it. It is just like robo-debt: You take it on the chin.

**The Hon. ADAM SEARLE:** How do we deal with that situation? How do we empower these people and ensure they have access to those advocacy services?

**Ms McLEOD HOWE:** There is no one easy solution but there are a variety of things that I believe should be done and we know work, and that is to give much more opportunity for the community sector to be armed with the advocacy around this. What we are finding is that this is also complex terrain for the sector to understand with those they support. That is one part, which is the sector. Now, for the consumer who may not be connected to one of my members or a service, we need to have very good communication and exposure of your rights. Also, there should be an obligation on retailers to get real and tell people what it is they are purchasing. Plain English. If you think of culturally and linguistically diverse communities and Aboriginal communities, all of those communities you should have pitched approaches around how you will serve them. This is an essential service this is not something where you can play with people's lives and try and make money, like selling a car. This is something you need to exist in Australia.

**The Hon. ADAM SEARLE:** Bearing in mind what you have said, Ms McLeod Howe, does the remit of the Energy and Water Ombudsman need to be expanded so that institution has a greater range of tools to deal with the misfortunes of vulnerable customers?

**Ms McLEOD HOWE:** It is an interesting proposition and NSW Council of Social Service very closely aligns and does joint work with the Ombudsman. We go into remote rural communities and work with the disadvantaged together. Certainly it may be one option.

**The Hon. BEN FRANKLIN:** I hear and appreciate your frustration, particularly for those most vulnerable, and we all share that on the Committee. I first ask, in terms of the Government's package of rebates and the affordability package, would you agree that the Government is trying to act to assist those people by raising the rebates by 20 per cent, by introducing new programs for low income solar and energy efficiency and broad-based programs?

**Ms McLEOD HOWE:** Certainly. In my opening remarks I noted that there are steps that have been taken. However, like anything that a government rolls out in terms of concessions you need to look at whether it is good for today's needs. What is happening today is that we are in a level of crisis. The cost of energy has gone up so much and corresponding with that you have a system of concessions and rebates that do not work

together. To have that happening at the same time means that there needs to be a reflection on whether this is the best way forward. Certainly we would say it is a no-brainer around flat rate versus percentage. For us that is common sense. Surely it should be easy to do. However, we recognise the Government is taking various measures. They have tried to encourage buying products that use less energy and there are different parts of the system but they are not parts of the system that work together in a well-oiled way.

**The Hon. BEN FRANKLIN:** How could they work better together? What could the Government do better to make it united and holistic?

**Ms McLEOD HOWE:** I reflect on the way that Service NSW works. It is not an insurmountable issue: Where there is a will there is a way. You have done integrated responses in the Government before. Service NSW consolidates all of those things—driver licences, birth certificates—I do not know how internally it would work but it has to be possible, I do not think it is insurmountable to have the most vulnerable in the community front and centre, the person-centred approach should be the way we run governments and find ways to break down those barriers of fragmentation of the different offerings. Just to come to the table and discuss it would be a start. To say we are in charge of this piece and this piece, around energy savings, we are the concessions, how can we do this better? You do it all the time.

**The Hon. BEN FRANKLIN:** Would you agree that the Energy Accounts Payment Assistance [EAPA] Scheme, which you raised before, is a good one for avoiding people being disconnected?

**Ms McLEOD HOWE:** Yes. We would support its continuation and even expansion. It is needed more than ever. The piece that is important for the EAPA voucher is not just the money but what happens is that you connect with a community sector service and you may actually unpack a whole raft of reasons why your bill is not even correct. That is the plus of the EAPA. When you see someone who goes into a neighbourhood centre, who may be living alone, with the stress of a huge bill and they connect with a worker who can consider the raft of issues happening for them on the one hand and the integrity of the bill they are faced with. It is sad to say that there is often a question mark over the bill and negotiations with a caseworker from an organisation often result well.

I can give you a case study, again from a Western Sydney support service, where a woman was arguing. She took it upon herself to advocate on her own behalf with one of the retailers about her bill and they were arguing about access to the meter box. They would not budge. She went along to a not-for-profit provider, a non-government organisation, and had a caseworker advocate on her behalf and they came to the party straight away. It is unfair for the ordinary citizen, particularly the ordinary citizen who is on a low and fixed income, who may have other complexities, and who is expected to get a fair go when they call when we know connecting with a legal centre or a support service is likely to get you the advantage. That is not fair. There should be bottom line principles for the way you treat the most vulnerable, those who are doing it tough. I know the Ombudsman is dealing with a lot more work in that area, people finding it frustrating dealing with the retailers.

**The Hon. BEN FRANKLIN:** Are you familiar with the recent changes to the retailers social code for rebates?

**Ms McLEOD HOWE:** No.

**The Hon. BEN FRANKLIN:** We have been talking about the importance of vulnerable customers accessing solar and batteries as an extension.

**Ms McLEOD HOWE:** Yes.

**The Hon. BEN FRANKLIN:** We have had evidence on it this morning, and I note your comments about the climate change fund and I am sympathetic to that. Would you elaborate on the importance of the need for those who are socioeconomically disadvantaged to have access to solar? Could you share, in particular, any ideas you may have around the access of those renting?

**Ms McLEOD HOWE:** Only to say that, because of their disadvantage and the likelihood they are not in their own accommodation—so they are renting from a landlord or they are in social and affordable housing, so renting from the Government—they have the least power to take charge of the situation that is happening to them, which is in poor housing without solar power. It is incumbent to lift that up and give an advantage to those people who have no power to do it themselves. If something comes out of this inquiry by way of a recommendation it is that we are obliged to put energy into those who are most vulnerable in order to prevent them accessing other bits of the system. This is an early intervention, if you like.

If you can give that access to someone living in a rental property in a regional town through some kind of support through a process that goes through the social and affordable housing part of Family and Community Services, if you started rolling out more of this kind of solar energy, what you would see is that their bills would reduce and they would not access other bits of the system. Again, we talk about collaborating as a community in this area, but the Government also needs to collaborate. The disjointed bits or the machinations within government not coming together is counterproductive when you look at the impact down the track. We would say that investment should happen at the front end to give that added boost to the most vulnerable and those who have no power to make this happen. By doing that, you will reap the rewards, and so will they.

**The Hon. BEN FRANKLIN:** Absolutely. Thank you.

**The CHAIR:** You make reference in your submission to rural and remote New South Wales residents having higher average bills. Do you want to comment on the notion that city residents get a better deal than those in rural and remote areas?

**Ms McLEOD HOWE:** There is a variety of reasons for that, but ostensibly it is because they live in bigger houses, their housing is not as energy efficient, and they must use more energy because of the weather.

**The CHAIR:** There appears to be confusion for those facing hardship. An earlier witness said that consumers need to be a maths professor to break down bills.

**Ms McLEOD HOWE:** Yes.

**The CHAIR:** People often ring at dinnertime offering alternative energy deals. Do you have any comment to make about what impact that has on people facing hardship? Is it a help or a hindrance in assisting those people to get a better deal?

**Ms McLEOD HOWE:** It is interesting in the terms of this inquiry that we do not get a lot of feedback from the most vulnerable in the community that they are in negotiations or being offered these deals. We hear more often that the most vulnerable and those on low incomes are on a default deal and they stay there. Their costs go up and they do not know why. They are not having to fend off people phoning them with better offers. However, in the event that that became an issue for the most vulnerable in the community, we would certainly say there should be some kind of regulation and a plain English approach.

**The CHAIR:** When I get my power bill, the first thing I look at is the figure. My guess is that you are saying those people see that and that is it.

**Ms McLEOD HOWE:** Yes.

**The CHAIR:** That brings me to recommendation no. 6. You recommend that retailers be required to inform customers directly in writing what the end of the benefit period of their current deal will mean for them if they do not do anything. You state:

*(eg. If you do not contact us prior to x date you will be placed on a default contract which will mean \$YY a year more than your current deal, or a basic service offer which will not accrue benefits).*

That can be included in a bill, but there is so much in the bill already that you cannot understand. Your whole focus is on the figure and how you will pay the bill. That information might be helpful, but how confident are you that it will be read, understood and taken advantage of by the people you are representing?

**Ms McLEOD HOWE:** The point is that the very act of compelling retailers to do this then becomes a structural norm in the retail process. Our members who phone to get hardship provisions or who go to support services would know that this is something that has been added. I cannot say that everyone will read it, but I know that not to bother doing it would be folly. In fact, the Committee is welcome to adopt that recommendation. It would be a shame not to bother because you think there is so much in bills already. People should be told what is going to happen to them.

**The Hon. ADAM SEARLE:** Are you saying that some customers will take notice?

**Ms McLEOD HOWE:** Of course.

**The Hon. ADAM SEARLE:** And it will at least be a discipline on retailers and by disclosing it they might lift their game?

**Ms McLEOD HOWE:** Yes. But it also says something about their obligation to respect their customer. That would permeate at least some of the community. Not to bother would be very unfair to the most vulnerable.

**The Hon. BEN FRANKLIN:** But surely that would not be your preferred option. You would prefer any discount they get to be at the start of their contract and to be maintained all the way through.

**Ms McLEOD HOWE:** It should be evergreened. If there is a better offer, it should be offered to the most vulnerable. It is incumbent upon the retailer to say that a customer is locked into an evergreen offer with one caveat, which is that if a better offer comes up they will be put on it.

**The Hon. ADAM SEARLE:** That is what you said—that is, there should be a continuing obligation on retailers to ensure that vulnerable customers are always on the best offer that that company has available.

**Ms McLEOD HOWE:** Absolutely.

**The Hon. ADAM SEARLE:** So that they cannot by default become worse off. They may be better off, but they can be no worse off.

**Ms McLEOD HOWE:** Exactly. I said in my opening statement that they might be falling off an offer they are managing and they might end up with a huge bill because they are under a different scheme. All the rebate that the Government is providing is eaten up. It makes no sense.

**The Hon. JOHN GRAHAM:** You have provided some important evidence today about the impact of this on people who are struggling. I found your submission very helpful. One of the most alarming things in your submission is the graph showing exactly how much electricity prices have increased beyond the CPI. The most alarming thing to me is the fact that the graph did not show the 20 per cent price increase that occurred in July last year. It was a dramatic increase above the rate of inflation.

**Ms McLEOD HOWE:** Correct, and it is a point well made. I have had lots of media around what will be the impact of these incremental increases knowing that when we produced this work people were already struggling. It goes back again to the level of concession and rebates the Government provides. They are chewed up again by the increase. The amount that is being used to support those on the margins with the lowest incomes is not sufficient either.

**The Hon. JOHN GRAHAM:** During the last election campaign the Government told people, "Prices will not rise as a result of this plan." Your submission to the Committee shows that commitment has been broken.

**Ms McLEOD HOWE:** It shows that prices are going up.

**The Hon. JOHN GRAHAM:** There is no question that that is a broken commitment.

**Ms McLEOD HOWE:** You could frame it that way.

**The Hon. JOHN GRAHAM:** What does that mean for the people you have told the Committee are living without food and medicine and in the dark?

**Ms McLEOD HOWE:** We are seeing the excessive cost of energy impacting those people to the point where they are going without that essential service. They are deciding whether to switch on a light, to bathe their kids, or to wash school uniforms. That is an inclusion issue for communities. I was going to say that energy is becoming increasingly unavailable to those people. In some ways it is unavailable. As the pressure and the thumbscrews are tightened, we cannot have a fully inclusive society. We are excluding some members of society while they cannot afford to access energy. It is similar to what I said about housing and homelessness.

**The Hon. JOHN GRAHAM:** What is your message to the Committee today about the urgency of that problem for the people you represent?

**Ms McLEOD HOWE:** This was urgent two years ago, so it is even more urgent now.

**The Hon. ADAM SEARLE:** It is a crisis.

**Ms McLEOD HOWE:** Absolutely. And we are seeing it again having the same importance as housing—that is a surprise.

**The CHAIR:** It is quickly becoming a perfect storm—unaffordable housing, unaffordable energy—is it not?

**Ms McLEOD HOWE:** We have surveys of our members and those with lived experience. We ask them what the pressing issues are for them. Every year over the past four or five years, housing has been top of the list, then health. Two years ago energy popped up.

**The Hon. JOHN GRAHAM:** Is energy now number one?

**Ms McLEOD HOWE:** Number two. It is housing then energy. My point is it is almost like watching a horrible race, because they are becoming equal.

**The CHAIR:** Thank you for your very helpful evidence and informative submission as to the most disadvantaged of our community. We may put further questions to you in light of your evidence, to which you will have 21 days to respond. We also thank you and your organisation for what you do.

**Ms McLEOD HOWE:** Thank you for allowing me to speak at today's hearing.

**(The witness withdrew)**

**(Short adjournment)**

**PETER McNAMARA**, Vice President Social Justice, St Vincent de Paul Society (NSW), sworn and examined

**JOANNE YATES**, Executive Director, Executive Secretariat, St Vincent de Paul Society (NSW), affirmed and examined

**WITNESS A**, Service recipient, St Vincent de Paul Society (NSW), sworn and examined

**ELIZA LITTLETON**, Policy Officer, Combined Pensioners and Superannuants Association, affirmed and examined

**The CHAIR:** Good morning. Would anyone like to make some opening remarks?

**Mr McNAMARA:** I would be delighted to. Chair and members of the Legislative Council, the St Vincent de Paul Society of New South Wales and the members and volunteers of the society thank you for your invitation to give our perspective on electricity. Electricity supply and electricity cost affects so many of those whom we support—families, young people, pensioners, people with low-paying or casual jobs, people whose lives have been turned upside down and who are trying to turn their lives around, and people who are struggling to survive week to week because their electricity bills keep going up but their incomes do not.

As a lay Catholic organisation we aspire to serve people who are experiencing poverty or disadvantage with love and respect, and with justice and joy. We are trying to make our whole community more just and compassionate. We do this not just with immediate relief—what we might call a handout—but by offering long-term help: a hand up. Close to 25,000 Vinnies members, volunteers and employees provide vital support: food parcels and vouchers, financial assistance, school items for children, furniture, clothing, bedding and help with energy bills and other debt. In fact, energy assistance accounts for over 30 per cent of the total assistance provided by our members. It is second only to assistance with food, which is about 45 per cent. In 2016-17, we distributed close to \$5,150,000 worth of energy vouchers. That is \$825,000 more than two years ago. We provided an additional \$200,000 from our own funds to help people struggling with energy bills.

I am very pleased that Witness A has agreed to come here with us today to share her story. Witness A received support from the St Vincent de Paul Society's office in Rozelle and we think the Committee should hear directly from her. Before she shares her story, I would like to stress that for us in the St Vincent de Paul Society, electricity, like health, water and telecommunications, is an essential service. We are adamant that everyone has access to essential services at a price they can afford, that the people we assist, people who live in poverty, or the brink of it, are protected from the excessive price increases of recent years.

The two key recommendations in our submission are that retailers must have a basic service offer and that rebates should be proportionate, not fixed. They are the two. On that first one—all retailers should be required to have a basic service offer with a regulated price—most of the people we help should have a no-frills, simple, basic plan with a clear and predictable price, being a price that is set by the regulator. Retailers would still be able to provide other types of plans, some more expensive, some cheaper, but at least everyone would be able to get that basic service offer.

Secondly, fixed rebates should be replaced. Rebates should be proportionate to the bill. The rebate system just requires reform. The Auditor-General's report last September highlighted a range of issues with the rebates. A percentage-based concession would be much more equitable because many poor people have bigger electricity bills because of where they live, or the size of the households. A proportionate rebate would adjust their bill more fairly. While we need to keep energy accounts payment assistance [EAPA] schemes, they are a temporary fix to changing circumstances, not a permanent solution. With that brief introduction, we really appreciate Witness A presenting on this issue and assisting us with the presentation.

**The CHAIR:** Witness A, tell us your story.

**Witness A:** First, I would like to say that I am honoured to be here today, just to voice my personal circumstances and a few others that are in the same predicament. My name is Witness A. I am 37 years of age. I have four children and I am a sole parent. I have one daughter—she is my oldest; she is 13 years of age—and three sons.

*[following section redacted by resolution of the committee]*

My oldest son suffers from attention deficit hyperactivity disorder [ADHD] and autism. So he has medical conditions. The same with my youngest son: He has severe eczema, which has now twice turned into impetigo because of carpet and environmental—it is not due to diet. I am already struggling as it is to kind of

keep normality in my household. Electricity is really, really—my last quarter was \$800 plus, and I have to find ways to pay that off. As well, I have sought St Vincent de Paul's help many times for this also.

It makes me cut back on a lot of things, such as I am always having to make sure the lights are switched off and do not use the dryer if it is not necessary. Sometimes my kitchen can look like a Chinese laundry. I am always trying to find ways to cut back, and in particular because my electricity is quite large, sometimes I have to cut back on food. I feel like sometimes my kids do not get the nutrition that they need because all the healthy food is quite expensive. I have had to seek services like free food pantry or something like that where I have to show a card to get this kind of help just so that we can make ends meet until the next payday. There is also the schooling with camps, excursions and then my kids are so active and talented that they have their sport or I have to contribute to all these extra activities that they have during school or after school, which I am still kind of trying to search for my children. I am trying to give them some upbringing that does not allow them to miss out on things. The food is cut back in my household and, like I said, the electricity is quite a bit. It is tough times.

I wanted to also mention that, with all of that being said, I did not know there were services out there to help. In the last three years I have been a sole parent, so it is now trying to juggle not having that income from my ex. That made everything a bit difficult. I have come from real struggles. I did not think I could be here today representing so many, only because it touches my heart because where I was three years ago was not a nice place. I did not know where I was going to live; I did not know many things. But today I have survived a lot and I am so grateful for all the support that is out there in the community, especially St Vincent de Paul because they have been like family to me. I do not have family: My mother has passed away and you think the one person you are with to share your life with your children, that was who you can rely on, and then that was taken from you too.

As a woman you kind of shut down because you feel like there is a walk of shame where people will judge you, where people will think you got yourself into this predicament. I did not. One day everything changed.

*[following section redacted by resolution of the committee]*

I am so grateful, because I have gone through so many wrongs, to finally come across St Vincent de Paul and the team there. With Donna and the team at St Vincent de Paul at Rozelle, they have just been so welcoming, no judgement, been able to help my family and I, and they have created other services where my children are able to participate on the weekends. I am just very grateful. But the electricity is a lot. If that is cut back a little bit, maybe I will have a little bit more to spend in the food area, or maybe just eating out. We do not do that with my family. My children do not like it that I prepare everything. I make sandwiches when we go to activities; I cut up oranges. They say, "Why can't we have Macca's like other kids?" I said, "It is not good for you, for starters." That is just another thing. I am here to talk about the struggles that we have been through. Thank you for your time.

**The CHAIR:** Thank you. We will come back to you, Witness A, as I need to continue with our procedures for a moment. I am certain some of the members of the Committee will have questions for you. Ms Littleton, do you have opening remarks?

**Ms LITTLETON:** Yes, I prepared a brief opening statement. I first want to say thank you to the Committee for allowing us the opportunity to present at this hearing. The Combined Pensioners and Superannuants Association [CPSA] is a member-based organisation representing pensioners of all ages and low income retirees. We have 100 branches and affiliated organisations in New South Wales with a combined membership of more than 26,000 people. As such, our primary concern in relation to this inquiry is with the affordability of electricity in New South Wales for low-income households. We presented the Committee with a brief submission, not canvassing all the issues but primarily addressing the adequacy of programs to assist vulnerable groups to afford electricity.

I will not go over all the recommendations made now but I will pick out a few key things. The CPSA provides a free information, advice and referral service to the public. The core topics vary quite widely but roughly about 10 per cent of our calls over the last year were concerned with utilities. Of those calls, the majority were concerning energy prices and energy assistance programs. The overwhelming and consistent feedback that we receive from pensioners is that they are struggling to pay their electricity bills. People living on low fixed incomes spend all of their money on essential goods and services, like you have just heard. They have no financial buffer against any significant price increases and have to forego other necessities just to keep their lights on.

Forget turning on the heater in winter or the air-conditioner in summer, some households are literally sitting in the dark because they cannot pay their electricity bills. One call that we received was from an aged pensioner who suffers from a chronic airways disease. He needs to use a continuous positive airway pressure [CPAP] machine and an oxygen concentrator nearly 24 hours a day to survive. He called us, distressed, explaining that he was struggling to afford his enormous electricity bills. He was already cutting back on food and he had to give up his landline just to make ends meet. This man was worried that when prices rise again he would no longer be able to afford his electricity bills and he would have to go into hospital or residential aged care. Nobody should be forced into hospital or a nursing home due to cost-of-living pressures.

One of the really concerning things about the calls we get from struggling pensioners is that many of them are not aware of the energy rebates that are on offer to them. We published an article about the energy rebates in our August edition of our monthly newsletter and afterwards we received a string of calls from people who wanted more information or wanted an application form sent out. To me this demonstrates that the retail market has consistently failed to inform consumers of assistance programs and the onus has been placed on vulnerable consumers to discover, navigate, apply and manage their own rebates.

But vulnerable groups, by definition, face additional barriers to active participation, including low income, no internet access and limited literacy, numeracy and language skills. These are the circumstances that reduce people's capacity to access information and make it difficult to engage with providers in the energy industry. This can lead to less choice for them, can lead to poorer quality services and higher prices. Vulnerable consumers do not necessarily benefit from a competitive market in the same way that advantaged, engaged consumers do. Consequently, it is critical that active engagement should not be grounds for receiving assistance.

Energy is an essential service and addressing the crisis that people living on low incomes face as they struggle to keep up with the cost of these services should be a priority of our State. The CPSA believes that the affordability of electricity for vulnerable groups can be improved in a couple of key ways, which overlap quite well with what Mr McNamara has already said: firstly, by calculating energy rebates as a percentage of the total household bill to ensure that rebates are better targeted according to need and that they maintain value over time as energy prices rise into the foreseeable future and, secondly, by making energy retailers responsible for ensuring vulnerable consumers are aware of the best possible deals and linking those consumers with assistance programs like rebate schemes. There is a fundamental asymmetry of information between retailers and consumers and it is time that energy retailers start using that advantage to assist vulnerable groups.

**The Hon. ADAM SEARLE:** Given the nature of the constituencies you all serve, why should not the energy retail companies be under an obligation to put vulnerable customers on the best market deal they have available and why should that not be a continuing obligation? I am happy for anyone to answer first.

**Ms YATES:** We believe they ought to, Mr Searle, absolutely. As my colleague Mr McNamara pointed out in his opening statement, we believe that retailers ought to be obligated by regulation to provide a basic service offer and this would be an offer that is applicable to people on low incomes or other concession cardholders; no matter where they live or their level of income, they ought to be guaranteed a service. Energy, like a number of others, is an essential service and it is an outrage frankly that in a society like ours people have to go without food, have to limit their child's education experience, have to make other drawbacks on the budgets precisely because they cannot afford to buy an essential service.

**The Hon. ADAM SEARLE:** I could not agree more, Ms Yates. Just on that topic then, how would we develop a basic service offer? Who would be the regulator that would strike the price?

**Ms YATES:** There are a couple of different options. We think the pricing regulator should go back to the Independent Pricing and Regulatory Tribunal [IPART].

**The Hon. ADAM SEARLE:** Can we trust IPART?

**Ms YATES:** I think we have to put faith and trust in our public institutions.

**The Hon. BEN FRANKLIN:** Hear, hear!

**Ms YATES:** We do. And I think that if there are issues with that, then there are other mechanisms that Parliament could enter into to make sure that those services are delivered appropriately but they are our public institutions so we ought to have faith in them to do that. Then there are consumer protections around that the Australian Competition and Consumer Commission [ACCC] could absolutely be a party to help enforce but absolutely regulatory protections around pricing.

**The Hon. ADAM SEARLE:** The basic service offer would be a guarantee that any vulnerable consumer would have the right to consume or access a certain amount of electricity per year at a set or regulated price. Obviously the needs of a single person household are very different, for example, to Witness A's household being a larger family and, I think, the example given of the gentleman who had the medical equipment that used a lot of energy. Would there need to be more than one basic service offer, depending on whether you had high medical needs or you had a larger family or indeed a smaller household?

**Ms YATES:** It would be up to the model. We have not done a descriptive analysis to that level of detail at this point. What we have taken as a base model is the universal service obligation [USO] that is currently within the Telecommunications Act. This was something that was struck by Telstra back when parts of that particular infrastructure were privatised back in the nineties. This provides a certain level of service, as it was back then, for public telephones to be available and fixed rates to be capped depending on what sort of income level or concession cardholder you are. We think that serves as a really good model for the provision of a USO across a range of essential services not just electricity.

**The Hon. ADAM SEARLE:** You also talked about the lack of transparency between offers made by different retail companies. It has been described this morning as a "confusopoly". Should retail companies be obliged to put their offers in terms that can be readily compared?

**Ms YATES:** Absolutely they should be, and my colleague Ms Littleton from the Combined Pensioners and Superannuants Association made it very clear that people with limited English skills and education, and even informed consumers, find the array of markets terribly confusing. The difficulty about that too is that sometimes contracts change during the course of their lifetime so you can have additional costs imposed upon you, not knowing that that is actually written into the form of the contract. Transparent, easily accessible information is absolutely critical.

**The Hon. ADAM SEARLE:** I note that one of the recommendations you have made is for bidding price increases during the contract period. Is that a regular feature you are seeing with your customers that, even though they might be signed up to a company for one year, or whatever the period might be, retail companies can still increase the charges during that time? I am happy for any of you to answer that question.

**Ms YATES:** The person with lived experience can talk about the impact of increasing prices but even around the table here we are all consumers. Each of us has experienced unreasonable increases in our electricity prices or gas prices of which we have absolutely no control over or redress. That is absolutely the case. Contract prices should be fixed for the term of the contract.

**Ms LITTLETON:** My understanding is that retailers can vary the prices within the contract period without notifying the consumer of any actual price variation. This makes it very hard for particularly low-income households to predict and budget because they are on low fixed incomes. It is hard to budget if you do not know how much your bill is roughly going to be. We find that vulnerable consumers do really want predictable low-cost affordable energy deals.

**The Hon. ADAM SEARLE:** Given the nature of the customers that you assist, it is all very well and good for people who are highly engaged and literate to shop around, and even with that cohort it is very difficult. What measures should government take to assist people like your customers to navigate their way through? Is expanding the remit of the Energy and Water Ombudsman one possible tool that might give your members and customers greater support in navigating massive increased bills when they are saddled with them?

**Ms LITTLETON:** We find that part of the reason that low-income households cannot access this information is that a lot of them do not have access to the internet or reliable internet connections. Part of the problem is that a lot of the information about rebates or comparing energy prices, plans or providers is online. Part of the strategy has to be about making sure that awareness is built elsewhere and that the responsibility gets distributed in a way that ensures that consumers can come across the information at all access points. Using a paper-based strategy is great, as is making sure that their point of contact—the retailer—will provide them with the information they need to navigate the system better.

**The Hon. ADAM SEARLE:** In relation to St Vincent de Paul Society's suggestion—

**The Hon. BEN FRANKLIN:** Could I have a quick follow-up on that question?

**The Hon. ADAM SEARLE:** Sure.

**The Hon. BEN FRANKLIN:** Ms Littleton, would you suggest that information about what rebates are available be included in the bill? Is that the sort of thing you are talking about?

**Ms LITTLETON:** Absolutely. Paper-based information is a successful way to get through to people. There does need to be multiple points of contact. We do not all read everything in our bill so it is bound to fail in some cases. Verbal communication backed up by paper-based communication is probably going to be an effective strategy.

**Ms YATES:** In addition to that, while all organisations are migrating from a paper-based bill service to an online bill service, they are beginning to charge flat rates for the provision of those bill services. We would like to see that removed for low-income households and concession card holders. It is another unnecessary impost on people who can ill afford it. Two dollars may not mean much to us, but to somebody who does not have any discretionary spend whatsoever in their household budget—

**The Hon. BEN FRANKLIN:** To a family that does not take their kids to McDonald's, for example.

**Ms YATES:** That is exactly right. It seems to be outweighed. In regard to the question asked about what the Government could do, I would add that although we acknowledge that there is a role for regulators—and we are fierce advocates of that—there needs to be a check and balance and somewhere where people can go if there is a problem with retailers or other service providers, and the Ombudsman is absolutely the place for that. Would we wish to see extended powers and provisions for the Ombudsman? Absolutely we would.

**The Hon. ADAM SEARLE:** St Vincent de Paul Society suggested a brokerage service to help people navigate and weigh the options. I am mindful that there is an online product—iSelect—for insurance products, where a consumer answers a couple of dozen questions and the system scans its database and makes a series of recommendations about what might be best. Ms Yates, is that the sort of thing you had in mind for people—a system where consumers could put in how much electricity they use, their pattern of usage and other relevant circumstances and the system would identify the best range of deals?

**Ms YATES:** That is something that we would really like to work with the industry on. We think this is something that the industry should be offering and supporting. We would be really happy to work with it on the model. It needs to be something that is transparent, accessible and easy to understand.

**The Hon. JOHN GRAHAM:** Picking up on that issue, as a consumer, should I not be able to ask my electricity provider what I am spending at the moment and then take that offer to other retailers and ask if they can offer a better deal?

**Ms YATES:** This partly why we think there is a greater role for the Australian Competition and Consumer Commission [ACCC] in offering consumer protections around this. Absolutely, that is part of the transparency issue. It is the same way we deal with bank loans and a whole range of customer offers.

**The Hon. JOHN GRAHAM:** But it is impossible for the average consumer under the current system: This morning, it was accurately described as a "confusopoly".

**Ms YATES:** Absolutely, especially if a consumer is in an underserved area. In regional New South Wales, consumers have only one provider. That ought not be the case.

**The Hon. JOHN GRAHAM:** Understood. Witness A, I thank you for your evidence. It really helps us understand what the pressures mean for people and the sorts of decisions you have to make everyday, which is important as we look to tackle these issues. Thank you for your evidence.

**Witness A:** Thank you.

**The CHAIR:** Witness A, I would like to try and get into your world. Do you get an electricity bill every quarter?

**Witness A:** Yes.

**The CHAIR:** Can you walk us through the experience when you see an \$800 bill? What are you thinking at that point in time with that cost pressure?

**Witness A:** To be honest, I do not like opening my mail. I look at the bill and say "Oh, okay." I always have to take a deep breath and think, "How am I going to work this out now?" I am forever juggling bills, my kids and life in general. Before I knew there was help from St Vincent de Paul Society, when I received a bill, I would call the electricity company to say I had just received my bill and ask why it was so high. I would be speaking to them about that and they would ask, "Are you using your hot water? Are you doing this? Are you doing that?" I would say, "Yes, but not anything out of the ordinary. I do not know why it is so high." They would say it was a peak hour, time or season, or something with regard to that. I would ask them to give me time to pay it off. Now I have found another option where I can get Centrepay and I take a little amount out of

my fortnightly income, but it is still not enough to cover the overall cost. I love going to the St Vincent de Paul Society because I have been able to seek its service for my bills, which has helped me regulate things.

**The CHAIR:** In what way has the St Vincent de Paul Society been able to help? Is it through the voucher system?

**Witness A:** Overall, the staff will do a whole income scan—

**The CHAIR:** A budget?

**Witness A:** A budget. They see what I can work with, how much I am living with and how much I need. They focus on the largest bill, so we circle the EnergyAustralia bill, and then we circle the gas—because I have moved I now have to pay gas as well. The staff member will say, "These are essential, that is a necessity and you need these things." "Yes, I am aware, but I am still trying to cut back on a lot of things." They try to re-budget and then they call the electricity company and say, "Hey, we're willing to help Witness A with her bill this quarter. Are we able to pay you directly?" Other times they give me the voucher and I can go to the post office. But that is how it works.

**The CHAIR:** Witness A, you present to me as a very proud young lady. As a single mum with four children, some of whom have complex challenges, how humbling is it to go to Vinnies and ask for help?

**Witness A:** In the beginning there was pride I had to put aside. I now have four children to support. I thought, "I don't need help. I can do this." I had a big van and I thought I would live in the car with my kids, we would shower at the beach and I would take my laundry. I thought, "Okay, I have a laptop—I will charge it in the shopping centre. My kids can have some kind of entertainment if we sleep in the car." I had it all worked out. I did not know there was all this kind of help out there. When I got caught up in a situation where I was almost homeless, I had a case worker assigned to me who put me in touch with St Vincent de Paul Society, Rozelle. I was nervous. I did not want to ask for help—it is embarrassing at times.

*[following section redacted by resolution of the committee]*

**The CHAIR:** Your testimony is so important because there are a lot of Witness A families out there. They are single mothers who are struggling with the rent, trying to put kids through school and into sport and trying to put food on the table. I do not know if your kids are teenagers.

**Witness A:** They are pre-teens.

**The CHAIR:** Teenagers virtually eat a house in their own right, the boys particularly. You are the personification of what we are trying to deal with. People are struggling with electricity and energy prices. We thank you very much for telling your story because it is not just about you; it is about probably tens of thousands of people across New South Wales who you are representing.

**The Hon. BEN FRANKLIN:** I echo the Chair. You have very beautifully, appropriately and gracefully represented so many people in the community who are struggling. You have put a face to all those people who have concerns. I think we are united in saying thank you—it has really assisted us. Ms Littleton, does your organisation represent members in retirement villages as well?

**Ms LITTLETON:** We do, and I am sure we have members in retirement villages. I do not hear a lot from people in retirement villages, but yes.

**The Hon. BEN FRANKLIN:** Retirement villages have unique situations in their energy and electricity supply. I was wondering if you have any comments on that or what can be done to assist with their specific needs.

**Ms LITTLETON:** I think for people in retirement villages or living permanently in caravan parks and other types of embedded networks it is a particular problem because their engagement with the retailer is navigated through whoever is managing their supplied energy support. The issue then is that they are not necessarily able to get information from a retailer about the assistance programs that are out there, so that creates another barrier between them and the information and support they need to help pay their electricity bills. I suppose because they have less oversight in the process it means they have less control and power in understanding their bill and also in breaking it down and then questioning it and even identifying problems and things like that. I suppose, yes, in and of itself it is another problem that compounds this issue.

**The Hon. BEN FRANKLIN:** Taking that a little further, particularly in aged living centres but also in others places that you talk about like caravan parks it would be very helpful to assist people to access solar power. Do you have any views about how we can help people in aged care do that better?

**Ms LITTLETON:** I am definitely not an expert in this.

**The Hon. BEN FRANKLIN:** I am not asking you as an expert but as somebody who deals with this area.

**Ms LITTLETON:** I think there is probably a way to disseminate information about solar and simplify the information through community-based organisations that are designed to help people with electricity and energy. I think information access is a big part of the problem and a big part of the solution. Empowering community organisations to embed solar and things like that in a community setting is probably a good channel to strengthen those connections.

**The Hon. BEN FRANKLIN:** Do you agree that the EAPA Scheme is on the whole a good scheme and does assist in avoiding disconnections?

**Mr McNAMARA:** I think it is a good scheme and our members say that when they go to visit people—and they always tell them the EAPA is from the Government—that people are very grateful. It is just that it is not adequate.

**The Hon. BEN FRANKLIN:** Can you expand on that?

**Mr McNAMARA:** For example, you are capped at \$600 for electricity and \$600 for gas. You only get gas support if you are connected to the mains, not if you are in a caravan park and using bottled gas. I think that is a big problem in regional areas. Of course, household size is also a real problem. Six hundred bucks does not go anywhere for a family of more than one person. A family of four is a good example. Yesterday I rang Denis, who is a member of the society like me, a volunteer. He is a retired maths teacher on the Central Coast. He said, "Our members are so frustrated. Some are angry. People just can't pay their bills. They don't understand their bills."

It is interesting: I had no idea what Witness A was going to say but what Denis said was exactly her circumstances. In people's homes and in our centres they are getting the story. He said that they are poor just because of bad luck or ill health, it is not through anything they have done, and they are trying hard to save energy—all the things that Witness A is saying. He said that they first cut down on their food because that is one thing they can reduce and they start eating less good food. Then comes the electricity bill and they try to put it off.

He said to me, "We in Vinnies only see the tip of the iceberg. There are people paddling bloody hard to keep afloat. When people call us they're in real shit. It isn't unusual to get energy bills for 500 bucks. Many of the people we see used to be able to meet recurrent bills, but that's getting harder and they just can't pay the old bills. The legacy bills build up periodically and the EAPA does not go nearly near getting rid of it. The EAPAs are so appreciated, the people are so very grateful to get it from the Government, we tell them that, but it is not fixing the problem. It's not good enough. We can do much better." That is what he said.

**The Hon. BEN FRANKLIN:** You would suggest increasing the amount available, particularly to those most vulnerable?

**Mr McNAMARA:** Yes.

**The Hon. BEN FRANKLIN:** We have increased the number of vouchers recently, and I presume that is helping, but you would argue that we continue to go down that line?

**Mr McNAMARA:** That is correct. We just think that the fixed amount is inadequate.

**Ms YATES:** I think there is an additional point to be made from that, and that is that over the last 12 months in this financial year—so nearly 12 months—we have handed out just over \$5 million worth of assistance through the EAPA Scheme. This is people in Witness A's position and in the position of other people that we serve, and that is that they come to us in a point of crisis. Handing out \$5 million as a crisis management tool is welcome because it is there, but it is not sustainable if we were to do that year on year. The \$5.5 million did increase. Partly the online service increased the access to that system so it grew as a consequence of that in part, but only in part. It grew from \$825,000 the year before that, so that is a significant increase in a really short period of time. That is part of the reason why we advocate for a basic service. Economically it is more sound for the budget, but it also means that people are not coming to us in a crisis moment. They are able to budget, they are able to plan and there is a more sustainable approach taken to the entire issue of energy affordability.

**The Hon. BEN FRANKLIN:** Your evidence about both the basic service offer and the proportionate rebates is coming through with witness after witness. We appreciate that. My final question is more a broader

philosophical one. What we have heard today from Witness A has really highlighted to me how important non-government and other organisations are in providing first assistance and support, particularly with regard to energy, which then potentially can open up to providing assistance in a range of other areas. Would you like to make any comments about that?

**Ms YATES:** This is the approach of Vinnies. We offer what the non-government organisation community calls a wraparound service. When people like Witness A come to us for emergency service relief we provide that, but we also provide a range of other services. I do not know if Witness A wants to say further but it is financial counselling, it is psychological counselling, it is after-school activities for children who have been exempt from them. It is a whole service that empowers people to reclaim control over their own lives over the longer term. We are absolutely delighted to provide emergency service, but we also acknowledge that it is not sustainable and it is not systemic. Our whole reason is to provide that empowerment model for people to get back on their own feet and regain control of their own lives.

**The Hon. BEN FRANKLIN:** We thank you and are very grateful for the work that you do.

**The CHAIR:** There are breakfast programs in a lot of schools now. That is probably more reflective of the cost of living pressures at home. It is another way of making sure that kids are getting some nutrition at the beginning of the day so they can partake in education.

**Ms YATES:** Forty-five per cent of our vouchers are given for food. It is huge.

**The CHAIR:** Do you recall the statistics for disconnections in the past year? I do not want to misquote it, but I thought it was about 30-something thousand. It was in one of the submissions, but I just wanted to draw your attention to that because we took evidence earlier that by assisting someone like Witness A it is an intervention and it is an investment, not a cost. I would like Mr McNamara or Ms Yates to take us through the bad-case scenario that Witness A could not pay her bills—because I am sure there are people on the books who have to default on their electricity. Could you cast a picture of what happens there in terms of people defaulting and who will not come to the NGOs for help, any situations you might have, and where they end up?

**Mr McNAMARA:** We have a case study in our submission, I believe, and that is the case study of a family of six in Yamba: two parents, four children—one in high school, three in primary school. The mum is being treated for breast cancer at Coffs Harbour Hospital—it is a two-hour drive there from Yamba. The father is a floor tiler; he has to stop working to care for the kids. He and the children drive to Coffs to be with their mum; he has to spend money on petrol. He is trying to keep the budget tight, he is trying to save on food, not driving too much and he is restricting the kids' extra-curricular activities.

They get about \$850 a week—that is the earnings, money from family benefits, and they pay \$350 a week in rent. Their last electricity bill was \$694. The father contacted Vinnies after getting a letter threatening disconnection. He had no other means of paying so our conference member processed \$600 worth of EAPAs. The dad came back to see us at Christmas time, when we make hampers available for families. We found out the family was staying in a caravan parked in a friend's driveway; they had been evicted from the home due to rent arrears and they had stayed in a tent for some time before being offered the caravan. That is a practical example, just one example of so many that we hear back from our members, volunteers and staff all the time.

**The CHAIR:** So it is really in the best interests of the Government to make sure that in hardship issues it is not only proportionate, obviously, but it is in our best interests for the taxpayers of New South Wales to ensure that we help these people keep afloat and in control of their environment and their families because otherwise they will be out in the street and that costs a lot more to everybody, never mind the relationship breakdown and the anxiety and depression and mental health issues that come with that.

**Ms YATES:** That is absolutely right, Chair. The majority of cases that we see where the one bill—it is not just rent, it is electricity and a range of things—it is very fine line between having shelter and being homeless.

**The CHAIR:** Unfortunately, we are out of time for this session. Once again, I thank you on behalf of the Committee. We really appreciate what St Vinnies does and the pensioners association—you do a wonderful job. And, of course, Witness A, you are a hero and we thank you because you are keeping your family together, you are keeping them clothed, you are educating them and you are hoping that they will have the very best and, my goodness, that is an amazing feat you are achieving. In light of your evidence, we may need to ask some further questions. You will have 21 days to answer those. The secretariat will help you with that. Once again, thank you for presenting today; your evidence is much appreciated—it is real life at the grassroots level, it is what people are experiencing.

**(The witnesses withdrew)**

**LYNNE GALLAGHER**, Director Research, Energy Consumers Australia, affirmed and examined

**CHRIS ALEXANDER**, Director Advocacy, Energy Consumers Australia, affirmed and examined

**The CHAIR:** Thank you for appearing before the Committee today. Would either or both of you like to make any opening remarks?

**Mr ALEXANDER:** Yes, I would. Before I read the remarks I have prepared I just wanted to endorse the testimony we just heard from Witness A. Energy Consumers Australia is an organisation that does not have a frontline role in the same way that St Vincent de Paul does. We do a huge amount of more quantitative research work. We do have interactions with members of the public who come to us with feedback about how the market is working, but certainly the feedback that we have from phone calls, from emails, on social media really endorses the story that Witness A has told. She is not alone. And it is a story that I think goes well beyond just people that we might think of as traditionally being on lower incomes or trying to operate in a market with vulnerabilities. I just wanted to add my thoughts to that.

Thank you for the opportunity to appear before this important and very timely inquiry. I will start by introducing Energy Consumers Australia. We are the national voice for household and small business energy consumers. We were established by the COAG Energy Council in 2015. As a new consumer body, our focus in our first three years has been to build a picture of how households and small businesses are faring in the national energy market. As I have mentioned, we do this through research, through direct engagement with consumers and through our collaborative work with other consumer bodies.

I just want to take some time quickly to give a sense of what we have found through our research. Really, we need to start with the acute energy affordability challenges consumers are now facing. We know what prices have done in the last 10 years, but also, more recently, in the last 12 months we have essentially seen a doubling, and that is obviously putting huge pressure on families and small businesses. We have received feedback over the last 12 months from people. I had a call from Michael from Killara—a self-funded retiree, fixed income; 20 per cent price rises without really a proper explanation from the retailer about the basis for their change or, more importantly, what Michael could do to try and manage his consumption and keep his bill down. This is somebody who is actively engaged in the energy market—knows about peak and off-peak and is doing lots of things to shift his load.

More recently we had feedback from somebody who was concerned about pricing, investigated what we can informally call a "bucket plan", was initially attracted to an offer because it looked an awful lot cheaper than the arrangement they were on, only to find when they dug into it that it looked cheaper because it was being quoted on a monthly rate rather than a quarterly rate. Also, other consumers and consumers that are in different circumstances who have switched, have not received a bill for eight months and then received a \$35,000 bill, which they then have to chase up through Ombudsman services and it is obviously quite a stressful process to resolve.

**The Hon. JOHN GRAHAM:** Was this a household or—?

**Mr ALEXANDER:** I think it was somebody on a farm, with bigger use.

**The Hon. JOHN GRAHAM:** The first they heard was when they received a \$35,000 bill?

**Mr ALEXANDER:** Yes. That is something that would have been resolved eventually, but you can imagine the shock of getting that bill in the mail. So we have got from these general discussions this picture about prices, choice, information and certainly trust. That anecdotal picture lines up with what we are seeing through our research, and Lynne can speak to our body of research in much more detail, if that would assist the Committee. Really, it comes down to a few simple points. Consumers do not believe they are getting value for money. When we ask people about value for money in electricity versus other utilities—insurance, water, banking, internet—energy, electricity, comes last. So that is obviously a real concern given the issues that are unfolding in those markets.

They do not believe the market is working for them, that it has their interest at heart. We ask that question in the survey material two ways, now and in the future, and they are pessimistic on both counts. Going to the issue around choice and navigating an extraordinarily complicated market, they do not think there is the trusted independent information, tools, support and advice out there to help them get the outcomes that they need. On the flip side, we do see evidence in our research that consumers do want to partner with energy service providers. They want to explore the possibilities of new technology, and that is not only to manage their own

cost but they see themselves as part of the community working to try and keep the power on and trying to keep the system running normally.

We have this affordability crisis that is coinciding with other issues around system security and emissions reduction. In the last 18 months we have seen an enormous response from State and Commonwealth governments, regulatory bodies and a range of other institutions to try and get this affordability, system security and emissions situation under control. I think the best way to characterise what all that adds up to is, I think, that there is a consensus view across the system that the market is not serving consumers as well as it should be, and significant reform is needed. We have had the top to bottom review of the system through the Finkel process and we have 49 recommendations that have been agreed by the Energy Council that are now in the process of being implemented.

We have had significant reform in the area of gas wholesale and pipelines, but that is still underway. We have seen an almost unprecedented intervention by the Prime Minister on energy retail, going to issues around choice and notice. There are a heap of commitments that the market is working to respond to. We are seeing real changes on things as simple as making sure that if retailers change price they properly notify consumers, that if your discount expires that retailers properly notify consumers. The limited merits review framework has been abolished and hopefully over time that will see network costs moderate. There are a host of other pieces of work that we hope over time will start to answer some of these big questions. I do not think they have all been answered yet.

The next port of call and major milestone for us is looking to see what Rod Sims does through the Australian Competition and Consumer Commission [ACCC] process. There are major structural questions about how the market is working that we think the ACCC will work to address. How do we deal with the legacy of high network costs and big regulatory assistance projects? How do we make sure competition works in a market that is highly concentrated? There is a longer term challenge around transformation and truly reorganising this market around the consumer. That is really a story about how we promote innovation in this market.

We need to move away from retailers just selling electrons to actually working with consumers to help manage their demand. That is about culture. We want to move away from a situation where retailers pass through costs and let the consumer wear the risk. There is a big conversation we need to have around things like data. There is a big conversation we need to have about how we can use new digital technology to better target and provide support and advice. We are doing research in those areas that we would like to share with the Committee.

**The CHAIR:** Ms Gallagher, would you like to make a comment?

**Ms GALLAGHER:** The only thing I would add is to talk about Energy Consumers Australia. We do think long and hard about the issues of people who are the most vulnerable in the community, but our mandate extends to all residential consumers and small business. That may make clear why we had such a broad focus.

**The CHAIR:** That is helpful because I was going to ask about small business. The hikes in pricing for them has become unsustainable and their profit margin is now the extra margin that they are paying on the electricity bill. There is no margin now, so why exist? Do you have feedback from small business about the impact of electricity pricing increases and what that looks like now and what it may look like if things keep going the way they are going? How can we intercede on their behalf before businesses die a slow death?

**Mr ALEXANDER:** I will ask Ms Gallagher to answer that question. We have done a particular piece of research trying to get a handle on what the pricing situation is for small business. The second story is to what extent can they manage their own demand to mitigate bills?

**Ms GALLAGHER:** For the same reason the Committee is asking the question there is not a lot of evidence about what small business is paying. For our mandate, which is about making the voice of consumers heard in policy processes or review processes, it was hard for us to reflect their experience. While we do research it is more to understand the lived experience of consumers. We now have data for the last 24 months on what small business bills might look like. Small business experiences are very different. The fish and chip shop has peak demand and a lot of demand for energy through refrigeration. Some businesses can be large energy users and some small businesses are home-based businesses.

We have collected in one place what retail offers are in front of small business. We know what price offers they are getting and we have looked at the trends over time in those price offers. We picked a representative level which we think is about right. There will be bigger businesses than that and smaller businesses than that. In New South Wales they have a bill of \$6,000. That is a 30 per cent increase in 18 months.

We are concerned about how do you be a competitive business. I do not think that any of us think you can pass through a 30 per cent increase in electricity bills to your customers.

There has been good work done in Queensland. I run a grants program. There are people who are advocates for their communities and consumers and are doing research. They surveyed a number of businesses across regional Queensland and asked what they do with a 33 per cent increase in the bill. It was similar to New South Wales. And what they are doing is just surviving. It means job losses. It means a cut in profitability. It means the business owner working longer hours. That goes to some of the things we are now going to talk about, questions you have about what does that mean and what can we do. There are overall system affordability challenges.

Where we come from is thinking about how do we put tools and information in the hands of small business that allow them to navigate this. There are opportunities to look at ways in which they might manage demand. Some of those do mean investment on their part. It may mean investment in solar, in on-farm. What we do not want them to do is do on-farm diesel. We would like to see them doing on-farm solar. We spend a lot of time working with agricultural groups as well. There are also a lot of community energy solutions. I have a background in agriculture, I used to work for NSW Farmers.

In these communities farming businesses are the backbone of the community. There are opportunities to look for community solutions. Rather than having everybody put in on-farm solar look at shared community solar that might power the local hospital or provide back up for the local hospital or for the school. There are lots of solutions that we are looking for. What that comes to is that there is no silver bullet, no one easy answer. We have to find ways to have a conversation about shared opportunities.

**The Hon. ADAM SEARLE:** Do you have any sense from your research about what is driving these amazing cost increases? The evidence that is available publicly suggests that the big three vertically integrated companies are not only retailers but own generation assets and largely they buy their supply from themselves. As far as I am aware wholesale electricity costs have not doubled in the last 12 months but people's retail bills have. A lot of submissions are pointing the finger at the retailers for increasing their costs and trousering the money. Is that consistent with the research you have been seeing?

**Mr ALEXANDER:** Yes. I will make a couple of comments. We do this as a discipline on ourselves. When we talk about the problem in this market we try to talk about it from the perspective of the consumer. The problem is all the things we have talked about with regard to bad value for money, prices going up, and it being difficult to navigate. What we are doing now is getting into the why of that happening. There is a 10-year-plus story here that I think has added up to the prices we are experiencing now. The Australian Competition and Consumer Commission has laid out carefully in its preliminary report that it starts with network prices. We have had a long debate in New South Wales and in other States about the contribution those prices have made and may continue to make.

**The Hon. ADAM SEARLE:** The network prices are not going up anymore. The network company prices are regulated and that is no longer a big cost driver, but the prices are still escalating.

**Mr ALEXANDER:** Absolutely.

**The Hon. ADAM SEARLE:** What are the drivers?

**Mr ALEXANDER:** It is around wholesale. Because we are now a global LNG exporter and we are shipping so much overseas, prices have spiked and that is a critical input for electricity generation. At the same time, we are seeing some coal plants exiting the market and we now have merit-order effects where gas is setting the marginal price and prices are going up. Research has been done to dig into this issue of vertical integration and the role the big three play that the market. We are happy to provide that research to the Committee. It was prepared by a small consultancy called Finncorn. It looked into the publicly available profit and company data published by the big three vertically integrated energy companies. It contains some interesting insights.

We believe that over time those companies' costs and margins have increased despite their obvious scale and scope advantages. Whether or not the price they are then setting is efficient is one of the big questions in this market. It is also one of the big questions that the ACCC needs to get to the bottom of. Of course, it is hard for groups outside the market to reach conclusions on those issues because we do not have a lot of publicly available a data on what is happening with transfer pricing in those companies. It is a huge unanswered question. Margins look as though they have increased, the retail arms are earning 8 per cent, and they are earning more from generation. The cost of competition and things like switching, which we do not believe

necessarily deliver better outcomes for consumers, have also increased. There is something going on in this market around vertical integration and wholesale that we need to get to the bottom of.

**The Hon. JOHN GRAHAM:** That is a very useful description. It would be helpful to the Committee if you were to provide that research. I want to step back from the why to the what. What exactly is going on? Consumers—the group you are representing—were told by this Government at the last election that, "Prices will not rise as a result of this plan." Three years later, you would agree that prices have clearly gone up.

**Mr ALEXANDER:** Absolutely.

**The Hon. JOHN GRAHAM:** There is no dispute that that clear commitment has been broken.

**Mr ALEXANDER:** I do not have the commitment in front of me, but prices have certainly increased. The St Vincent's tariff tracker indicates that prices have increased. The work that the Australian Energy Market Commission [AEMC] does on residential prices also shows they have increased, and the ACCC data confirms it.

**The Hon. JOHN GRAHAM:** The Committee has received evidence this morning that it could get worse if we follow the Victorian path. As the deregulated market has matured, retail margins in Victoria have increased. It could get worse in New South Wales without some sort of action. Do you have any observations to make about that evidence?

**Mr ALEXANDER:** If we do not keep our eye on affordability throughout the supply chain there is the prospect of prices continuing to rise. That would be a terrible outcome for consumers. They are at the limits of their ability to respond to higher prices. The latest AEMC reports about where it thinks prices will go suggest that they will come down over the next couple of years. We hope that is the case. However, everyone should be focused on bringing down prices given the testimony we have heard this morning.

**The Hon. ADAM SEARLE:** Should there be vertically integrated companies? Is that part of the reason the costs are going up, or are vertically integrated companies in a position to offer better prices because of the synergies that come with it?

**Mr ALEXANDER:** I think it is an unanswered question. Before I started with Energy Consumers Australia I was working in the United Kingdom for the equivalent body there. They have been through similar competition review processes where vertical integration, the role it plays in the market and whether consumers benefit from it were the big questions addressed. They saw a case for vertical integration because it allows the company to manage risk on behalf of the customer. However, what we are not seeing in the current market is consumers feeling that they are benefiting from that physical arrangement. I think that is really what retailers need to show. They should demonstrate to customers in a real and clear way that their ability to manage their generation through a physical position in the market is delivering benefits. It is a big question mark.

**Ms GALLAGHER:** We have thought deeply about this. We used that Finncorn research to make a submission to the Victorian inquiry. I agree that vertical integration stands out. However, the other thing that stands out is that clearly there are potential scale benefits. Larger retailers—whether or not they are gentailers—could have lower costs. However, the other unanswered issue for us is what is preventing retailers getting to scale. In Victoria, the big three have a market share of 65 per cent compared with about 85 per cent in South Australia and 20 or 30 retailers all offering niche products, but to fewer than 100,000 customers. Why is there no Aldi or Uber coming here? We can look at vertical integration, but we must also look at what is keeping that in place. Why are we not seeing the kind of disruption in the retail market that we have seen in the grocery and finance markets?

**The Hon. ADAM SEARLE:** It is probably to do with ownership of generation assets. The big three in this State own 68 per cent of the generation assets and 90 per cent of the retail market. Can you really have proper competition that benefits consumers not only when there is such a lock on the market but also when they own, arguably, two of the most important parts of the production chain? I think that is an unanswered question.

**Mr ALEXANDER:** Yes, it is an unanswered question.

**The Hon. ADAM SEARLE:** How do you get an answer to it?

**Ms GALLAGHER:** You get it from Rod Sims.

**Mr ALEXANDER:** Yes, and with access to their books. We need to see what are the economics and, where there are efficiencies, whether they are being questioned about them being passed on.

**The Hon. ADAM SEARLE:** You say that your customers have experienced a 33 per cent increase over the past two years. There was a report in the press saying that some people's electricity bills had increased 100 per cent in the past 12 months. Even allowing for increases in the wholesale cost because of gas and the like, the cost has not gone up 50 per cent or 100 per cent. Despite that, the prices people are paying at the household level are increasing at that scale.

**Mr ALEXANDER:** I do not have the wholesale numbers in front of me. This also goes to the fact that we can be blinded by averages in this market. Across the board average residential prices might have increased by 10 per cent or 20 per cent.

**The Hon. ADAM SEARLE:** But the consumption of product is not going up by those margins.

**Mr ALEXANDER:** No, that is correct. However, it depends on the deal you are on and whether you follow the discount. If you are running a small business that is potentially securing supply through a broker and you are on a three-year deal with a discount, you can be rolling off to deals that see much bigger price increases. Given how complicated the market is, it is very hard to trace that all the way back down the supply chain and to question whether as a consumer that is justified. That goes to the transparency and the visibility around the way this market is functioning and whether or not it is working for consumers that we really have to get to the bottom of. In a whole heap of areas here, sunshine can be the best disinfectant.

**The Hon. BEN FRANKLIN:** I come back to your comment about the importance of people across the spectrum focusing on affordability, whether that is the retailers and the Government or advocates and so forth. I accept that and could not agree with you more. What is the view of Energy Consumers Australia [ECA] on the Government's affordability package, including the higher rebates which are now being offered?

**Mr ALEXANDER:** The 20 per cent essentially across the board on the various concession programs that was provided last year was a very welcome and positive step. It recognises what prices have done and what that means for affordability. There are other schemes available to people around subsidised access to energy efficient appliances which can also make a huge difference and we are seeing other interventions. Those are all incredibly important programs. We are waiting to see how those changes work for people over time. There is always a bit of a lag with these sorts of interventions but we will be tracking what is happening really closely.

Before our session started this morning I heard a question about disconnections and what is happening there. I do not have the latest New South Wales disconnections figures in front of me, but there is certainly reporting into the Australian Energy Regulator [AER] that we expect to be published next month. That will be one of those markers for how well the various measures around the country—not just in New South Wales—are working to make sure people do not find themselves living in their car or in a cold home because they cannot afford their energy bill.

**Ms GALLAGHER:** I add that the question of affordability has made us think a lot harder about what some of the drivers of costs are for individuals such as Witness A who gave evidence this morning. Some pilot programs were run that were supported through the Commonwealth Government but with a range of face-to-face organisations—Kildonan and others. They looked at different interventions. The reason I raise it is that we have come to a whole new realisation that we are sharing with other people, and that is how much the inefficiency of housing and appliances contributes to a lack of affordability for individuals.

We can give people concessions and all kinds of things—we can even give them advice about how to budget and how to avoid peak times and all of that kind of stuff—but what came through so strongly in that research is that the fabric of the home and the inefficiency of appliances often means, no matter what you do, energy is still unaffordable. There is the kind of work that is being done through the Office of Environment and Heritage about swapping out appliances and finding the things that have big impacts, and I heard a question earlier about solar, looking at working with community housing. All of those things are ways in which we tackle the problem at source.

Concessions are absolutely critical, as we heard from Vinnies, for emergency relief, but we have to start tackling some of these long-term, systemic reasons. Even if we address network costs, wholesale costs and retail margins, there will still be people who are the most vulnerable in rental housing or with inefficient appliances. In settlement programs they get given or gifted fridges that are 20 years old. We go into homes and find people with two or four fridges because one is not big enough for the family. The costs of running those are prohibitive. Or they have leaky hot water systems. Trying to find ways to address some of those things is also critical.

**The Hon. BEN FRANKLIN:** Would you agree that there is no silver bullet here and there needs to be a range of strategies across the whole spectrum?

**Ms GALLAGHER:** Correct.

**The Hon. BEN FRANKLIN:** The New South Wales Government held a retailer round table which meant some retailers then increased their support to those undergoing hardship. One of the questions the Committee is wrestling with is what the Government can do in influencing retailers to act appropriately and responsibly. In a nutshell, what role do you think the Government has to provide that sort of guidance to retailers?

**Mr ALEXANDER:** The retail round table is a really important event. Bringing retailers together in that context sent a crystal clear message that they are responsible for outcomes in this market. If there is one thing this Committee and governments can do, and it is certainly something we have focused on, is holding the businesses to account for their customers' outcomes. We need to find ways to keep that focus and that pressure on retailers to do better than passing through 20 per cent price increases because notionally upstream wholesale costs have increased. Number one is continuing to focus on outcomes for consumers. Further opportunities to bring retailers together to have that kind of dialogue is a good thing.

Governments can do some things in the longer term to help the industry make that cultural transition from focusing on assets, infrastructure and engineering to focusing on customers and affordability. One of those things is to start to rethink the way the rule book is written. We have a very prescriptive, rules based system at the moment which tends to encourage businesses to focus on compliance and not on the kinds of issues we are speaking to today. There is an alternative approach that the AER is starting to work to and we are seeing overseas of asking retailers to sign up to a set of principles.

That set of principles could include affordability, simpler choices, informed choices and better support—and taking the step to work better with their customers to help them manage their consumption. That is a complicated, long-term project, but the more we start to discuss and reframe what we expect from energy retail, the better outcomes we will see over time. We are here having a conversation about providing emergency relief because prices have spiked and people do not have options and choices—we need to get beyond that and work out how to have that conversation.

**The Hon. BEN FRANKLIN:** Do you have anything to add, Ms Gallagher?

**Ms GALLAGHER:** No—I would just confirm that. It might seem to you like rhetoric, but we are seeing the United Kingdom doing something similar with retailer principles. They have a rule book that is a foot high about what you need to do as a retailer, how you pass on costs and how different tariffs look, but over the top they have now put in five enforceable principles which essentially go to recognise vulnerability and say: "Think about it from the customer's perspective." One of my frequent frustrations is that we often talk about how we have to make customers smarter or educate them more. We actually do not. What we actually need to do is think about what the customer needs and package it and provide it for them in that way, then customers are quite capable of making the right decisions for their family. We have had a very rules based approach and a very supply side costs approach in this sector, whereas we need to think much more about consumers, service and value.

**Mr ALEXANDER:** Here is a quick, practical example of what we are talking about in the current context. There has been the New South Wales retailer round table, the Prime Minister's intervention and other things happening in other States telling retailers to be more proactive in offering support for customers with vulnerabilities and customers on a low income. We know those commitments have been made to get on the retailer's website. It is five clicks to find it, and it five clicks to find it because you know what you are looking for. It is simple things like that. There is support available. We need to make sure people who need it can get it.

**The Hon. ADAM SEARLE:** On that point, are we pussyfooting around here? As far as I can see, following the retailer round table the retailers did not cut their costs. The Victorian Government said to the retailers in that State, "We are thinking of reregulating the market in these sorts of ways," and the big three retailers immediately cut their costs, certainly for vulnerable customers, by up to 28 per cent—just because the Government there showed a pretty clear resolve to reregulate the market if the market did not act. We have had this round table and the companies have not cut their costs for customers here in New South Wales.

**The Hon. BEN FRANKLIN:** But they have increased their support for people who are facing hardship.

**The Hon. ADAM SEARLE:** That is fine but that is not adequate.

**The Hon. BEN FRANKLIN:** Understood.

**The Hon. ADAM SEARLE:** A customer of the big three in Wodonga is paying significantly less now than a customer of the big three in Albury—that is ridiculous. Why are the retail companies not being called to account here in New South Wales?

**Mr ALEXANDER:** What this goes to is the fact that we have a national market and you get some odd outcomes. Number one is that retailers that are providing discounts and better outcomes in Victoria should be providing them in New South Wales as well. Retailers that do not do that run a risk of future regulatory intervention. We have a huge amount that has been done in the last 12 months to try and bring prices under control in all parts of the country. But I think questions will be continued to be asked about whether it is enough if prices continue to rise. I think that is as far as I will take that one. There is regulatory risk there for retailers that do not respond.

**The Hon. ADAM SEARLE:** It is very difficult for customers struggling to—

**The CHAIR:** It is still Mr Franklin's time.

**The Hon. ADAM SEARLE:** Sorry, Mr Franklin.

**The Hon. BEN FRANKLIN:** I do have another question about the Government's responsibility. In the run-up to the 2011 election we were told that the networks were going to be gold-plated. Do you have any views about the impact, particularly the cost impact, that had on consumers and whether that impact is still happening?

**Mr ALEXANDER:** We had a period between, I think, 2007 and 2008, and now if you look at the network regulated asset bases [RABs]—I was looking at page 63 of the Australian Competition and Consumer Commission's [ACCC] report this morning, and it has some stunning charts showing the ramp up in prices—consumers will be paying them down for many years to come, despite some very real and important efforts in the last couple of years to moderate those prices. There has been a moderation in network prices but that higher level we will be living with for some time to come.

I think one of the big—and we have talked about vertical integration—unanswered questions is what we do with network costs over time. Debates spring up from time to time about doing something specifically with RABs, potentially pushing costs into the future. There is also some work that is being done at the moment with the Australian Energy Regulator [AER] working out whether or not those network revenues and what they earn on their investment, is appropriate given these are low-risk, stable assets. Do they need to be earning closer to double digits rather than closer to single digits?

**The Hon. ADAM SEARLE:** They are also monopoly assets.

**Mr ALEXANDER:** They are monopoly assets. I do not think we have solved the network cost problem yet.

**The CHAIR:** It is time. I have let other members ask questions, and I have only a couple of minutes. I think of initiative and you talked about the appliances in hardship conditions, maybe two fridges. Small businesses who are switched on have made all the changes. There was a program in the south in my electorate called "Business Treading Lightly". Those small businesses replaced lights and did whatever they could to use technology so they could save energy, but they are dying now because of the increase in electricity costs. They did all the right things a few years ago, reduced their carbon footprint and reduced their electricity usage, but now the retail pricing is killing them, and they have nowhere to go. They cannot get rid of the fridge out of the café or reduce other appliances. Small businesses are struggling.

**The Hon. ADAM SEARLE:** Time of day use.

**Ms GALLAGHER:** I agree with you.

**The CHAIR:** As Mr Searle says, they do not get to serve the public at 3 a.m. when it is off peak.

**Ms GALLAGHER:** Our favourite anecdote is about the fish and chip shop owner who says to the customers, "Please come back after 10 p.m. I cannot cook your fish and chips now because it is peak time." You are absolutely right. Again, there is a long-term systemic structural problem. We see it as well. You can see it in the household expenditure survey data. I am an economist and economists are fond of saying, "Look, people are paying no more as a proportion of their income now than they did 10 years ago." The reason that is the case is because they have done a whole lot of things to reduce their use to keep it to that level. So, exactly.

**Mr ALEXANDER:** Really quickly: One of the untold stories about what has happened with price is that unit prices in energy have risen much faster than actual bills, and that is because households and small businesses have found ways to use less power. Without a major change in the technology and the options they have got available to them, they are running to the point where there is no low-hanging fruit.

**The CHAIR:** That is right. There is no fat in the system whatsoever. Mr Searle, you have a couple of minutes if you want to ask anything further.

**The Hon. ADAM SEARLE:** On that point, a lot of consumers have shown me their bills for the last quarter compared to the quarter before or to the same time the previous year. In a lot of cases there was a reduction in consumption but significant increases in bills—not marginal increases, but very heavy increases. Their company keeps saying it is wholesale prices, even though they are buying from themselves. There seems to be a lack of transparency around all of this. How can customers cope when even reducing consumption does not arrest the acceleration in their bills?

**Mr ALEXANDER:** I think that point is really well made. This is an incredibly complex space but one of the things we are absolutely sure about is that more transparency is needed. The sector has been too much of a black box for too long.

**The Hon. ADAM SEARLE:** The bills are pretty opaque but we know there are different component parts. It would be a good thing, would it not, if the retail bill is broken down so that as a customer I can see what am I paying the distributor and what am I paying the retailer?

**Mr ALEXANDER:** There are big arguments about this one. From a transparency point of view, yes. The kind of health warning on it is that every bit of extra information you put on a bill makes it harder for a customer to understand and make a choice. I think there is further work, including getting behavioural people in, to work out how we present the information consumers want in a way they can understand and act on. But the principle of making sure that people know where the costs are coming from is absolutely right.

**The Hon. ADAM SEARLE:** The Committee is being told by the network companies that they have cut their costs. They are blaming the retailers and the retailers are blaming the wholesalers, and the wholesalers are saying it is peak demand. Where does the buck stop? It just seems ridiculous.

**Mr ALEXANDER:** I think what we know—and this is what Rod Sims' report confirmed—is we have costs and issues up and down the supply chain, and we need a bit of whole-of-system accountability for the position that consumers are ultimately finding themselves in. Go back to problem definition: Value for money is low; I am getting bill shock; affordability is an issue; I do not have good information and tools. Whoever it is behind the curtain whose job it is to make sure that is fixed, they need to fix it.

**The CHAIR:** On that note, we are trying to fix it. Thank you very much for your evidence today. The Committee may ask some further questions. You will have 21 days to reply to those and the secretariat will help you with that. To remind you, the Committee would like you to forward the Finncorn review.

**The Hon. ADAM SEARLE:** Or indeed any other research that you have.

**The CHAIR:** Yes, the household data that was mentioned might be helpful.

**Ms GALLAGHER:** I will follow up the point that Mr Searle made about the bill, because in fact what we are trying to do is think about is customer information and in fact to not do it on the bill but give it to them in real-time when they can actually do something. We will send you some information on that.

**The CHAIR:** That is something we will be looking at and investigating further. Thank you very much.

**(The witnesses withdrew)**

**(Luncheon adjournment)**

**LUKE AITKEN**, Senior Manager, Policy, NSW Business Chamber, affirmed and examined

**ROBERT MILLAR**, Policy Manager, Infrastructure, NSW Business Chamber, affirmed and examined

**The CHAIR:** Would either of you like to make an opening statement?

**Mr AITKEN:** The NSW Business Chamber is one of Australia's largest business support groups, with a direct membership of more than 20,000 businesses, providing services to over 30,000 businesses each year and operating throughout a network in metropolitan and regional New South Wales. The chamber represents the needs of business at a local, State and Federal level. High electricity prices are having a significant and increasing impact on businesses in New South Wales. The chamber's September 2017 Business Conditions Survey found that 67 per cent of businesses are being affected by higher energy prices. That is up from 45 per cent in the March 2017 quarter survey.

Of those businesses 90 per cent had experienced a reduction in profits, 22 per cent had experienced reduced investments or expansions, 14 per cent had been able to pass on any increased cost to customers, 67 per cent of those respondents were small users of electricity—that is less than 100,000 kilowatt hours per annum—and 27 per cent of those were large users. Indeed, controlling energy costs has moved from the fifth highest cost control priority for respondents to number two over 2017, and that has been a position that has been consistent since that time.

Chamber members have indicated that the prospect of sustained energy price increases are already affecting businesses' consideration of future expansion plans and may force these businesses to look outside for manufacturing opportunities. It has been well documented that the current concerns around energy affordability and security are being driven by significant changes to the energy market in Australia. Australia is changing the way it generates, transports and uses energy due to a number of factors, including Australia's commitment to reducing carbon emissions, technological advancements to power generation and energy use, and the retirement of coal-fired power stations. It is a challenging area and we welcome the opportunity to speak to the Committee in more detail around these issues.

**The CHAIR:** Thank you very much. Mr Millar, do you wish to make an opening statement?

**Mr MILLAR:** No, that opening statement was fine.

**The CHAIR:** It is a great concern. I am from the South Coast and recently I was speaking to a gentleman from Manildra—I think he was the general manager—who said that their energy costs have gone from \$50 million to \$70 million and that the challenges that Manildra now faces relate to energy costs. That is a significant business which employs about 360 people. That has to affect opportunities for further employment growth and job creation, does it not?

**Mr AITKEN:** Yes.

**The CHAIR:** Are you aware of other companies that also have that sort of gap in their electricity costs and could you name a couple if you are able to?

**Mr AITKEN:** Absolutely. As I mentioned at the outset, the chamber represents businesses right across the State. More than 60 per cent are outside of metropolitan Sydney. We have been hearing from one business down in Albury; it is a producer of pet food raw meats. It employs around 250 employees and you can imagine in an area like Albury that is quite a significant employer for that area. Currently the business is undertaking a pretty major expansion of its freezing and drying capacity in the area and future energy costs would be pretty significant if that expansion takes place. They are experiencing increases in both electricity and gas in that it would add more than half a million dollars to their costs in one year alone.

The challenge with some of these increases have been around, not just that there are increases—I think everyone is accepting that we have had traditionally quite low costs but how rapidly those increases are coming for business and for a lot of them it was completely unexpected. One of the big challenges we see is obviously with those larger businesses that do employ a lot of people but we do see with those businesses that they often have the capacity to make capital investment to improve their energy usage. However, we do see a significant gap for medium-sized businesses that are growing and are also playing an important employment role, especially in regional New South Wales.

**The CHAIR:** Do you have any firm evidence of job losses because of electricity pricing?

**Mr AITKEN:** There have been some indications that that may eventuate for businesses. Most of the respondents to our Business Conditions Survey have been indicating that it has been a reduction in profits or not moving towards expansion plans. There are probably missed opportunities from those expansions but in terms of direct job losses coming from the increase in costs, not as yet but if the price increases are sustained, I think over time you will potentially start to see that.

**The CHAIR:** Are you hearing of any situations where we may be losing business opportunities in New South Wales because of increased prices compared to, say Victoria?

**Mr AITKEN:** Not necessarily—

**Mr MILLAR:** The example you gave was of an Albury-based business so in terms of their expansion, these sorts of costs impost are going to affect where they are going to be located generally so, yes, is the short answer. It does have an impact.

**The CHAIR:** Mr Searle knows the difference between the pricing of Albury and Wodonga.

**The Hon. ADAM SEARLE:** At the end of last year in the wake of the Thwaites review in Victoria about the retail market, the Victorian Government called the retailers in, had a stern word to them and at the end of last year the big retailers cut their tariffs for customers on standing offers and concession cardholders by up to 28 per cent, saving them up to \$720 potentially a year. Customers of the big three in Wodonga are seeing big falls in their power bills but if you are a customer of the same big three in Albury you are not getting any price reduction because the big three here have put their prices up, not down. Why is the New South Wales Government not doing what Victoria is doing and putting a bit of pressure on the retail companies?

**Mr MILLAR:** I think, too, the retail component in the bill in New South Wales is higher. The network cost is around 50 per cent and the retail costs and green schemes added together are around 50 per cent. I guess the bill impact or whatever the retailer does is going to be more significant in New South Wales and the lack of competition—as you know, three big retailers and they are also gentailers as well, so they make up about 40 per cent of the bill and then the fact that they operate behind contractual arrangements which are largely opaque, it is very hard to glean what the actual margins are when they supply to an end-use customer.

**The Hon. ADAM SEARLE:** We will try to get to the bottom of this: It seems they buy most of the electricity from themselves so there is not that sort of competitive arm's length?

**Mr MILLAR:** I would suggest that there is an element of that. I also think that if you take out the role of the billing function you do question exactly what services retailers provide and whether they are able to compete through innovation.

**The Hon. ADAM SEARLE:** The Grattan Institute report even suggested that because in reality there is little competition in New South Wales and Victoria, the costs of implementing competition may perversely be driving costs up for consumers. Does the Business Chamber have a view on that?

**Mr MILLAR:** I suppose it is possible, but access to information about what the retailers do and how they price is largely opaque, so it is hard to comment on their margins. We have recommended some kind of code where they can at least articulate more clearly what the bill is made up of and the various services they offer.

**The Hon. ADAM SEARLE:** The Business Chamber submission takes issue with the somewhat strange comment from the Independent Pricing and Regulatory Tribunal [IPART] last year that power prices have actually fallen by 5 per cent, whereas the Australian Competition and Consumer Commission [ACCC] information shows that they have clearly increased by 63 per cent over a decade. Mr Millar, what do you make of the strange IPART finding from last year?

**Mr MILLAR:** I suspect that the ACCC may have had more information about the actual bills that customers are facing. I understand that there is some concern with the IPART methodology, and they might need to look at that. I do not think that I have anything else specific on the IPART inquiry.

**Mr AITKEN:** Obviously, the Grattan Institute made similar points on whether there is true competition there. If the research is done at the aggregate level, that is not the experience of the customer at the end point. They would be looking at what offers are around rather than the experiences of customer who might be able to navigate that and get the best possible offer. We are hearing from our members that that is definitely not the case. They do find it challenging comparing bills and the opaqueness of what is there, and the different definitions applied within a bill are pretty problematic. Applying a customer perspective to the IPART methodology would help some of those information asymmetries.

**The Hon. ADAM SEARLE:** When a consumer goes to the supermarket and buys a product such as butter, no matter what size or shape it comes in there is a cents-per-gram measure. Why should retailers in New South Wales not have to give a cents-per-kilowatt comparator so consumers can readily compare one offer with another on a given pattern of usage?

**Mr MILLAR:** That is one suggestion. The Australia Energy Regulator [AER] has Energy Made Easy, which is a good website that has grounds for improvement. The AER has access to all the retailer information. The only thing it does not have access to is the special under-the-counter offers. Perhaps if there was more information and transparency around those offers people might be able to glean more meaningful comparisons with regard to where they might be able to get a better offer.

**The Hon. JOHN GRAHAM:** Mr Millar, do you have any sense of what proportion of offers they might represent? Is it possible to tell?

**Mr MILLAR:** No, I would not be able to describe that; it is more of an inference. But I do know that the Australian Energy Regulator [AER] does not get access to that information. Its information-gathering powers do not allow it to necessarily get those special offers.

**Mr AITKEN:** Interestingly, on the Energy Made Easy website, which informs consumers on how to analyse the market and see what offers are there, there is advice on consumers going to their current retailer to say that another offer is available to get something that is not advertised. The AER obviously understands that there are other offers there.

**The Hon. ADAM SEARLE:** All of this requires customers to be quite literate and engaged. We have heard evidence from various bodies about how the customers they serve are often disadvantaged. A lot of Business Chamber members would be flat out trying to run their businesses and would not have the time or expertise to compare one apple offer with another orange offer or chart their way through it. What is the answer to that difficulty?

**Mr MILLAR:** When a consumer gets an electricity bill their current usage and amount owed is. This is not my idea, but I have read that if there was a measure on the bill about what the current usage would be on the latest and most innovative tariff, consumers would have a much better idea of whether they were on the best deal. That is something that could potentially be pursued. I do not know whether retailers would be comfortable doing that, but access to that information exists and I would have thought it would be a fairly obvious choice.

**The Hon. ADAM SEARLE:** Particularly when dealing with the consumer's existing retailer. It is not only how much they are using but when they are using it. The retailer would be able to run that pattern and quantum of usage through all of their offers and should always be able to tell you what the best offer is for you.

**Mr MILLAR:** Correct.

**The Hon. ADAM SEARLE:** There is often talk about consumers changing their patterns of usage, but if a consumer is running a business they have to be open and operating when customers are wanting to use their service. It is no good saying, "Come back at 3.00 a.m., I will cook you a meal then," or, "I will provide the service at midnight because I can get off-peak power." Businesses have to serve customers when they want to be served.

**Mr AITKEN:** Absolutely. Some of our larger member businesses are able to change some of their patterns of usage by using shift workers and adjusting work times. But small- and medium-sized businesses basically cannot change the way they operate. They do not have the skill set available within their business to start monitoring offers more carefully. We are receiving feedback from members that they are trying to do a lot more of it because it is becoming a far more significant cost pressure for them.

**The Hon. ADAM SEARLE:** Over the last 12 months, I have been approached by a number of businesses who use quite a lot of power and use brokers to find the best deal. A lot of them are coming to the end of their two-, three- or five-year contracts and are trying to find another medium-term contract for their business needs. But they are coming to me and saying that only one offer is being made to them in the marketplace, when they were getting two or three offers two or three years ago, and the offer price is 160 per cent more and going higher. That is not sustainable for a business. A lot of them have re-engineered their businesses to save power and use less, and they are saying that all of that hard work is being scrapped by these price hikes. It is a disincentive to re-engineer and use less. They do not know what to do. Is that the experience of Business Chamber members?

**Mr AITKEN:** Certainly with electricity offers and even more so with gas.

**Mr MILLAR:** It is very much a take-it-or-leave-it proposition a lot of the time. I believe there are also some restrictions on businesses being able to onsell the gas. Businesses have to buy a certain amount but if, for whatever reason, they do not use the full amount they are still contractually obligated for the full amount. If they could onsell it or use some other mechanism that would be beneficial.

**The Hon. JOHN GRAHAM:** I want to pick up on the most important part of the Business Chamber submission: the Business Chamber's views on some of the IPART's reasoning. Clearly, the Business Chamber is not hostile to this sort of analysis as an organisation, but the submission concluded that competition might not be working as smoothly as IPART is suggesting. I was taken by the statement that the Business Chamber questions whether the mere existence of new products and discounting equates with better outcomes for consumers, particularly given the complexity of these offers. Mr Millar, I wondered whether you wanted to expand on what was quite an important point.

**Mr MILLAR:** A recent rule change has just come about through the Federal sphere that relates to when discount periods end. I do not think I will describe it in full detail, but my understanding is that when consumers are on a discount plan they may not necessarily be notified when that plan and discount ends. However, a rule change has come through that obligates retailers to advise customers in advance that the discount period is ending. So there is some movement to recognise some of the marketing language that retailers use around their products and services, and I think a discount period ending is a prime example of that. More up-front information and greater transparency would be appreciated.

**The Hon. JOHN GRAHAM:** What we are grappling with is these are very complex markets but it is a very simple product. The butter comparison is a good one. In my view, there is a lot more variation between various sorts of butter than there is between the electricity that comes out of the plug in a business, but we are unable to get the sort of price transparency you are talking about.

**Mr MILLAR:** I agree and, at the end of the day, retailers do not actually supply anything other than billing services. They are served by one network in terms of electricity and that is 50 per cent of the bill. The retailers, as I said, make up the rest through allegedly passing on those costs.

**Mr AITKEN:** I only make the point as we made in our submission around the question of competition that while there is competition generally across the wider market around regional New South Wales there seems to be a significant lack of offers. We hear from a lot of our regional businesses that they do not get many contractual offers when they go to market. I think that is an element within it as well that we should be examining quite closely.

**The Hon. JOHN GRAHAM:** What I thought were sobering figures in your submission about the businesses that you represent were that 90 per cent have profits down, 22 per cent have reduced investment or expansion and only 16 per cent are able to pass on the cost they are bearing. There is a bottom line for all three of those figures, which is fewer jobs for New South Wales citizens.

**Mr AITKEN:** Ultimately it is a cost pressure and when businesses face cost pressures they do not look towards expansion plans, which could include investment in new infrastructure and new equipment but also obviously in jobs and expanding employment.

**Mr MILLAR:** It has also gone from number five as a priority in terms of a concern for our businesses up to number two as their biggest pressure.

**The Hon. ADAM SEARLE:** I note that you have a number of criticisms in your submission about the way in which deregulation has been implemented. You say at page 6 that the power to reintroduce regulation should be in place to assess and address uncompetitive outcomes. You are not closing the door on the need for innovative and targeted intervention in the market to make the market behave better and provide better outcomes for consumers, including your members.

**Mr AITKEN:** You would not be surprised that being from the Business Chamber we are not necessarily gung-ho around regulating things, but we think there are definite challenges here and it is impacting a wide enough group of our members that some of these targeted approaches to address some of these challenges should be considered.

**The Hon. JOHN GRAHAM:** And that is unusual. You would not have come along to too many parliamentary committees to call for potential re-regulation. Have you done that before?

**Mr AITKEN:** I think this is the first one.

**The Hon. BEN FRANKLIN:** But you are not calling for a full re-regulation?

**Mr AITKEN:** We are not.

**The Hon. JOHN GRAHAM:** That is clear is the submission, but the precedent is also clear. You are not hostile to the general approach but your members are calling for something different.

**Mr AITKEN:** I think it is quite obvious that there might need to be some targeted interventions to ensure that the market is operating as effectively as it possibly can.

**The Hon. ADAM SEARLE:** We are hearing a lot about discounting, that if you sign up to us you will get an X per cent discount. When you look closely at what is being paid, in many cases it is in fact no discount on what customers were paying beforehand. The discount is off the standing offer which is a much larger number, so they are not getting an actual discount. Could one of the targeted interventions be to require truth in advertising to ensure that when a retailer offers a discount it is a discount on what the customer is paying at the time, so it is a true discount?

**Mr MILLAR:** Yes, but I think possibly, as I said, something as simple as having your current bill in front of you and then the retailer providing you with, at that date, the best tariff using your current consumption profile would at least give you an indication of whether you are on the best deal with that retailer. That information can then be used for you to go out to other retailers to source potentially a better deal. But, yes, more information that is streamlined and accessible is probably the way to go.

**Mr AITKEN:** You could even have additional parts. We discussed whether or not people are capable of changing their use profile, but you could be given an offer that if you keep your standard use profile this would be the outcome and if you were to change a couple of things this is what it would mean for you. Absolutely, more information that a consumer can actually use would be effective. We have made some points to the Australian Energy Regulator around Energy Made Easy. It is a good website and some further funding has been provided for improvements to it, but one of the points we have been making is that there has to be a bit of a bias to action to assist businesses and consumers to go on there to see the offers that are there and then help them to make the next step and go and pursue that offer rather than just going and finding the information and then taking no action.

**The Hon. ADAM SEARLE:** Some of the evidence that we have received in writing and I anticipate we will be hearing a bit later today is that particularly outside the major metropolitan centres, in rural and regional New South Wales, there are higher network costs, higher supply charges and fewer offers being made. If you are talking about rural businesses trying to receive competitive offers, often there will only be one offer. There is no competition in that situation. What can be done to address that?

**Mr MILLAR:** I suppose if you are talking about the network side of things, ironically what we have seen recently is an issue in metropolitan areas, and that is to say that small business Ausgrid customers are being charged four times the price for their fixed charge—their service charge—than a residential customer even though they are largely going to have the same sort of profile. It is not just the regional areas that are necessarily being stung; it is also metropolitan as well. In terms of the number of offers, when there is a monopoly situation usually there is some need for some sort of intervention there to replicate a competitive market force.

**The Hon. ADAM SEARLE:** Are you suggesting that there be a government-owned retailer to have a bit of competition where there are only limited offers?

**Mr MILLAR:** I suppose it comes down to: What do retailers actually do outside of providing a billing function?

**The Hon. BEN FRANKLIN:** I wanted to talk about energy productivity and how important it is to the New South Wales business sector in a holistic way.

**Mr AITKEN:** In terms of energy productivity, absolutely. The NSW Business Chamber itself is a signatory to the Australian alliance to boost energy productivity. We see a lot of businesses making some great innovations to reduce their energy use profile and to make the energy that they use go a little bit further. We have been concerned recently—there have been a few media reports about it—around the Climate Change Fund, which is money that is collected by the Government in terms of some of your retail charges.

**Mr MILLAR:** I think only \$8 million of \$289 million collected was spent on businesses. Those charges are passed through to all end-use customers through the networks. It is just a straight pass through. There is a question about what that money is being used for and whether there are going to be schemes put in place for it to be used. Our argument would be that if it is not being used then do not collect it.

**The Hon. BEN FRANKLIN:** I think the short answer is: Watch this space.

**Mr AITKEN:** Absolutely, but we would like some of those targeted interventions for capital improvements to boost energy productivity.

**The Hon. BEN FRANKLIN:** One thing I am focused on as Parliamentary Secretary for Renewable Energy is solar and its uptake. What barriers might there be to businesses taking up some of the new technology such as solar and battery storage and so forth?

**Mr MILLAR:** The only thing I would say is the arrangements where they might be a lessee in a particular building in terms of working with the building owner to get some sort of solar power purchase agreement put in place where they can benefit from both the reduced impact on the environment but also their impact on the grid. I think some work has been done with the Property Council to look at how that might be pursued but it is something that is very much in its infancy.

**Mr AITKEN:** New South Wales has had energy upgrade agreements for quite some time. They have been targeted in just metropolitan areas, but these are where lessees and lessors can come to an agreement about some improvements to boost energy productivity in a building, not specifically solar. We do hear occasionally—the Property Council is probably a better placed organisation to speak to it—some challenges working with some local councils in terms of undertaking some improvements. But there are some great examples out there, a lot of new developments that are utilising solar in interesting ways. So there are definitely growth opportunities there. Our businesses would like to make these investments, but it is a little bit challenging when you are getting constrained on increasing energy prices and then go and make the investment to try and help them reduce. So that is where we are coming from, to try and see some grant funding to allow that to happen.

**The Hon. BEN FRANKLIN:** An environment whereby solar was made more attractive or more accessible perhaps to businesses is obviously one that you would support?

**Mr AITKEN:** We would, but be careful around the feed-in tariff, I guess.

**The Hon. BEN FRANKLIN:** You have addressed that a little, but we have heard a lot of evidence about increased power prices particularly impact on households. If you could elaborate on how the issues affecting the business sector are different to the household sector and what the Government can look at in terms of assisting in that space.

**Mr MILLAR:** We talked a little earlier about the impact on businesses generally, but I suppose there is a bit of an assumption you see in some of the pricing frameworks of applying sort of Ramsey pricing, which is to say that you price on the most inelastic demand, and businesses are often being hit by that to some degree. I mentioned the issue before about Ausgrid where they have a higher fixed charge just by virtue of being a small business versus a residential—it is up to almost four times the price. When the consumption is around the same level it is very hard to justify.

**Mr AITKEN:** I will touch on the point that while energy and businesses are focused on energy costs, cost pressures generally, one of the points we have made is that the confluence of factors that has brought around increased energy prices, it has happened over a long time and a lot of the solutions are going to be over the medium to longer term to try and resolve them—some short-term relief for businesses around cost pressures, and we have put forward payroll tax as one of those key ones. We put forward an example around a business in Albury that are not only facing increased power prices when compared to their Victorian counterparts, they are also experiencing a higher payroll tax rate—absolutely a tax that puts pressure in terms of the business taking on an additional employee. So any sort of relief the Government can provide in the short to medium term to allow businesses to continue operating, potentially investing more into productivity, boosting energy initiatives, would be very much welcome.

**The Hon. BEN FRANKLIN:** Finally, do you have any views on the National Energy Guarantee [NEG]?

**Mr MILLAR:** Certainly I know there is a webinar coming up about it next week. The preliminary paper has been released. It looks very complicated the way it is going to be actioned. I suppose, at the end of the day, if we are able to get to a situation where prices are going down and reliability is stable to upwards, then whatever outcomes achieve that will be good for business. It is a bit too early to tell in terms of the mechanics of how it might work, but it looked quite convoluted on first glance.

**The Hon. JOHN GRAHAM:** We have talked about Albury and Wodonga; I just wanted to turn to another border issue that you draw attention to, and that is in the ACT, on that New South Wales-ACT border. Your submission suggests that research has found retail charges are significantly lower in the regulated ACT

market and higher in the deregulated New South Wales market. I just wonder if you have any other observations on it?

**Mr MILLAR:** My only comment on that is that the ACT is quite different from New South Wales in terms of the network component of the bill; so the impacts there are going to be felt quite differently. I do not know that there are any strong inferences you can draw between deregulated or regulated in that sense.

**The Hon. ADAM SEARLE:** Just on that, the work of Bruce Mountain from Carbon Market Economics looked at this issue quite closely and, to the extent that you can discount for network costs, he is purported to do that and has found that the retail cost is higher in New South Wales and in deregulated jurisdictions compared to regulated jurisdictions. That is a pretty clear indicator that the approach of deregulating the retail sector of electricity without some pretty clear guidelines is running the risk of higher prices for customers.

**Mr MILLAR:** As I think I said earlier, a lot of the stuff that happens in the retail space is outside of regulation anyway because it is contractual arrangements, and when they have got contractual arrangements they are all opaque, and that is a bit of a concern, I guess, with the NEG: there will be reliance on contractual obligations to run it and they are, as regulators have said, not subject to their purview or overview.

**The Hon. ADAM SEARLE:** So maybe one of the targeted interventions in the market could be the requirement of a greater transparency in those arrangements.

**Mr MILLAR:** Potentially. There is a new, for example, five-minute settlement rule. The market, as I understand, is normally settled in 30-minute increments; it is going to be five-minute increments now. In the Australian Energy Market Commission [AEMC] review, I believe they said that this rule change is going ahead; however, there may be potential for an increase in retail prices for two reasons: one, market distributors will have to put in new systems to enable this five-minute transition, but the other part, which is a little bit softly mentioned but is an important part, is that the contractual agreements will need to all be renegotiated by various market participants including retailers. But the fact that they are behind an opaque contractual-based scheme, the inference is who is going to be monitoring why the prices are going up if this rule change goes ahead as described?

**The Hon. JOHN GRAHAM:** If you cast your mind back to the last State election, the Government made this commitment: Prices will not rise as a result of this plan about electricity. Do you agree today, three years later, that prices for your members have clearly gone up?

**Mr MILLAR:** Yes, but I think that the reasons may have changed. I think it is more the generation side now than the network costs.

**The Hon. JOHN GRAHAM:** So there are certainly some reasons why, and we will look closely at why, but on the question of what has happened it is just clear-cut, is it not, over that three-year period for your members?

**Mr AITKEN:** Yes. Wholesale costs have gone through the roof. If the Government was saying that in terms of a privatisation process around the network, which I do not think has led to those increases; I think it has been more on the wholesale side.

**The Hon. ADAM SEARLE:** Do not forget this Government also sold all the state-owned generators before the last election. So to the extent that that is a contributor, it is happening now in a less accountable market. What are measures that you think could be undertaken by governments to improve competition in the market, because even assuming you think competition is a good thing, I think it is fair to say that all of the observers—whichever point of view you are coming from—are all of one mind and that is competition in the market is not leading to lower price outcomes for customers? So what are the things that could be done to improve the level of competition, particularly given how highly concentrated the market is here with three players having 70 per cent of the generators and 90 per cent of the retail market in this State?

**Mr MILLAR:** One of the things we recommend in our submission was something akin to an Australian supplier payment code which details the minimum standards about how to present the information in your bills and so forth. The other thing we have asked for, which I think was to an Australian Competition and Consumer Commission [ACCC] inquiry, was about some sort of scorecard about how effective retailers are at performing their functions, which we understand to mean customer billing, packaging the services, and the one I am less clear about is how they manage the volatility in electricity spot prices given that those events, as I understand it, do not happen that often.

**The CHAIR:** You talked about IPART in your submission. Do you have any further comments about whether they are being helpful in the process or there could be improvement about the considerations?

**Mr MILLAR:** It is related to how much data they have and whether they are getting access to the information. Given the Australian Competition and Consumer Commission [ACCC] and the Independent Pricing and Regulatory Tribunal [IPART] have come to quite different conclusions would suggest some different methodology is being deployed. Based on the prices going up we infer that probably there is not a lot of competition. Maybe the ACCC methodology was a superior one potentially due to the information they had.

**Mr AITKEN:** We welcome IPART's monitoring role but as we indicated there needs to be improvements in terms of the way they undertake their analysis with a focus towards an actual customer, as to how they face the retail market, would be helpful.

**The CHAIR:** There is a feeling that they are inaccessible in terms of if they make judgements how do we hold them to account. Maybe the wrong methodology is used and the wrong outcome arrived at and they are untouchable for businesses to have feedback.

**Mr AITKEN:** The retailers?

**The CHAIR:** Into IPART. It is a closed system and what they come up with they come up with.

**Mr MILLAR:** Because IPART's role has been greatly reduced in electricity regulation perhaps they do not have the information in front of them to make the conclusions that they need to, but the ACCC and the Australian Energy Regulator [AER] have done some good work. Maybe there are some learnings there.

**The CHAIR:** The Committee will be making recommendations. What would you like to see come out of the inquiry in terms of businesses across New South Wales?

**Mr MILLAR:** One thing is more targeted assistance. For example, a lot of medium size businesses fall in between, in the sense small businesses get some assistance and the large end of town have dedicated energy managers, whereas in a medium size business it is often the accountant that manages that process. Information for things like energy audits: where somebody could come in and do an audit of equipment and say, "Here is how you can make savings". Just general assistance with understanding their bill would be appreciated and welcomed.

**Mr AITKEN:** To that point, the retailers, all of the energy businesses do engage quite closely with some of the social services. The St Vincent De Paul Society was in earlier today. People on low incomes should be assisted around energy prices but similarly small and medium size businesses should not be forgotten in the mix and the important role they play as an employer and ensuring opportunity for their energy use to be better managed. The suggestions that Mr Millar put forward I fully endorse.

**The CHAIR:** In light of the evidence you gave there may be further questions. The secretariat will be glad to help you. You will have 21 days to respond.

**(The witnesses withdrew)**

**MATT BRAND**, Chief Executive Officer, NSW Farmers, sworn and examined

**ASH SALARDINI**, Chief Economist, NSW Farmers, affirmed and examined

**The CHAIR:** Would either of you like to present opening remarks?

**Mr BRAND:** I will lead the charge. Thank for providing the association with an opportunity to address the Committee today. As a member organisation the association represents close to 8,000 farmers across New South Wales and the Australian Capital Territory, across all commodity types from the oyster industry through to the western division of New South Wales and everything in between. In the last five years or so one concern is continually raised at meetings, it is the rising cost of energy. For dairy, poultry and egg farmers and farmers who rely on irrigation energy costs are the top two or three input costs. The increasing price of electricity is really starting to impact farmers.

A dairy farmer in western New South Wales recently negotiated a commercial contract for electricity that she had locked in three years ago. Her costs went up from just under \$50,000 per annum to just over \$90,000 per annum. The difference is the cost of putting on a new employee. Today a typical dairy farmer pays \$50,000 to \$60,000 per annum for electricity while an irrigator pays over \$100,000 per annum. These are significant costs for essentially small businesses. In the future the regulator has stated that it will transition the system to a cost reflective pricing model, removing cross-subsidies from the market. This means that the price of electricity will at least double for some farmers at the end of the lines.

To ensure affordable and reliable electricity in regional areas we need to look at all parts of the electricity system: retailers, infrastructure owners and electricity generators. We need a strong competition regulator to call out uncompetitive behaviour and we need governments to promote and incentivise innovation in the rollout of electricity related infrastructure more cost effectively. Our chief economist, Ash Salardini, will take you through some of the issues within these subsectors.

**Mr SALARDINI:** I will focus on the retail sector, infrastructure providers and some solutions to the challenge of affordable and reliable electricity in regional areas. Simply put, electricity retailers operate uncompetitive markets and display even less competition in regional areas. This is a bad outcome for consumers and end users. The challenge is providing the evidence and what we suggest is that the Victorian Thwaites review and the ACCC review provide that evidence.

Disappointingly, our regulator, the Independent Pricing and Regulatory Tribunal, has continually found that retail markets are competitive and benefitting consumers, which is at odds with basically every other regulator in Australia. Above and beyond those reviews, the association has noted retailer behaviours that have the hallmarks of a lack of competition. There is a lack of innovation in the market; there is a lack of interest in network and transmission costs, which is the largest input cost; and there is price opaqueness in the market. Regional users are particularly affected given that regional markets are less competitive.

Moving on to the network providers. In Australia we over reimburse network providers. We have had historical over investment in the network, significant underutilisation of those assets and given the rules that forbid writing down of assets we are still paying for misplaced investments from the 2000s, what everyone refers to as gold plating. The challenge is providing the Committee with the evidence. For the purpose of brevity I will focus on one example. The purchase of TransGrid by Spark shows this tendency towards over investment. In the bid document Spark provided for the TransGrid purchase it states:

They can achieve significantly more operational and capital savings than the regulatory revenue determination provides. That is to say, they can easily run TransGrid at a much lower cost than the regulator has accounted for.

Further:

There is significant value in terms of the low risk nature of the asset. That is to say, TransGrid is getting returns above and beyond what their risk profile justifies.

Infrastructure costs are one of the largest costs for regional users and accounts for the largest part of their bill. It is a major concern for regional customers. Going to the solutions. We need transparency in retail markets. We need a review in New South Wales on retail markets. In the Victorian review, after the review was concluded standing offers for customers and concessional offers were reduced by 5- to 10 per cent for some customers. That was off the backs of retailers themselves without any prodding from government. We need a comparative rate and a standard retail contract, much like we have in the consumer credit code provisions governing the banking sector. The final thing in the retail space is cost stacks on every bill so consumers know what is

contributing to their bill and have more control over how to tackle energy prices and be more involved in their own bills.

Finally, we need ways to reduce the cost of network infrastructure. That goes without saying. We have called for the promotion of distributed energy resources on farms to forgo new investment in the network, and to reduce costs, peak electricity demand, and even emissions. The New South Wales Government has been very amenable to this sort of thinking. We look forward to some feedback from the Government about how this will progress in the future. We have also asked for a standing agriculture industry/energy industry working group with a \$5 million budget to look at innovation as we transition our networks from a 1990s model to a twenty-first century model.

**The CHAIR:** Farmers are trapped given the limited number of providers. It has been stated that rural and regional areas tend to pay more for electricity. You make a recommendation about the Independent Pricing and Regulatory Tribunal [IPART] undertaking more in-depth analysis. In what way would you like to see that data presented?

**Mr SALARDINI:** First, we have had several reviews into the retail markets and every one, bar a few Australian Energy Market Commission [AEMC] reviews, has demonstrated that retail markets are uncompetitive. IPART, and potentially the AEMC, are standing alone in finding that retail markets are competitive for the benefit of consumers. Secondly, the discount offered on a standing offer in regional areas is about 20 per cent to 30 per cent, whereas in urban areas it is more than 50 per cent. That analysis was easily obtained on the Energy Made Easy website, but none of it is found in the IPART report. IPART does—for want of a better phrase—a "quick and dirty" annual review and presents the same finding year in and year out. Given what is going on in the energy market now, that seems at odds with conventional thinking. Finally, retailers achieve record profits despite every input cost going up, whether it be transmission, network or generation costs. That in itself suggests that there is something going on in the retail market or for gentailers between retailers and generators.

**The CHAIR:** Are you aware of any New South Wales farms being lost because of overwhelming electricity price increases?

**Mr BRAND:** To isolate electricity would be a challenge. However, we are seeing an increase in input costs. More importantly, we are seeing the loss of serious opportunities to take farming from a \$15 billion industry to at least a \$50 billion industry in New South Wales. One of the handbrakes on that is the ability to use technology. Digitisation of agriculture relies on energy; we need electricity. As we know, that is becoming a major cost impost on businesses. We are seeing lost industry opportunities in becoming more efficient and effective in what they do because a major input—that is, electricity—is now very expensive and unreliable.

**The CHAIR:** You said earlier that a \$50,000 electricity bill paid previously would now be \$90,000. Not many farms could take a \$40,000 hit in addition to the increasing cost of diesel and so on.

**Mr SALARDINI:** In relation to that specific example, I know a farmer who got around it by stopping his superannuation contributions. That is the type of decision being made to cover that cost.

**The Hon. ADAM SEARLE:** You said that the evidence is clear and universally accepted that the current retail market is not performing in that it is not leading to lower prices for customers. You would accept that there is a good case for at least some form of targeted intervention into that market to reregulate it in some ways to lead to better outcomes.

**Mr SALARDINI:** I would not go as far as saying we should reregulate. However, the threat of regulation in Victoria has demonstrated that it works. There have been drops of 5 per cent to 10 per cent in standing and concessional offers simply as a result of undertaking a review. The regulation was not government mandated, but there was a 5 per cent to 10 per cent reduction for concessional holders and in some standing offers. If retailers can do that of their own volition, it suggests there is already fat in their margin, and that is concerning. That was achieved largely by putting reregulation on the table, not necessarily saying it should be done. We are going into "be careful what you wish for" territory. However, putting it on the table if we keep going the way we are might make some people notice.

**The Hon. ADAM SEARLE:** The Thwaites review in Victoria made a number of recommendations such as greater transparency, making offers more comparable, basic service offers and so on. You are right; the Government called in the retailers and there was a strong impression that reregulation was on the table. However, the decrease was not just 5 per cent to 10 per cent; it was up to 28 per cent in some cases, particularly for those on standing offers and those who had concession cards. That was a potential saving \$720 a year. That

is a massive decrease of up to 28 per cent just because of the possibility of reregulation. Your customers of the big three in Wodonga are now paying considerably less than customers of the same big three in Albury. Why have New South Wales retailers not followed suit and dropped their prices?

**Mr SALARDINI:** Clearly that is what we would like to see. In the end, we have a national market and it is interesting that a review can create differences in retail prices at the State level. If they were genuine about wanting the best for consumers, we would have the same decrease in prices in New South Wales and, as you said, in Albury. This again comes down to retailer behaviour and it suggests that they are uncompetitive. The fact is that they can pick and choose where they drop prices purely to avoid regulation. I do not want to give members a lesson in corporate affairs 101, but when regulation rears its head you go down the self-regulation path and act nice until it blows over. When you move on to banking, or whatever the bogeyman is next year, they will revert to their fat margins.

**The CHAIR:** I think we can call them "obese margins".

**Mr BRAND:** I think there is another step, which is to tease out the offers and to ensure we can compare. If we were able to do that, that would then put the magnifying glass on the retail sector. At the moment they can get away with some behaviours because making comparisons is very confusing. There are little asterisks, triangles and dots that you have to find in the terms and conditions. If we were able to tease it out and to make a comparison, that would help to change some of that behaviour.

**The Hon. ADAM SEARLE:** A previous witness said, "Apart from providing billing services, I am not so sure what retailers actually do." Leaving that aside, if you have the details of how much you have used and when you have used it—I know that is important—and you take that information to your current retailer or another retailer, they should be able to run that quantum and pattern of usage through their system and tell you the best offer that suits you, or what you could do to improve your situation to obtain a better offer. It is not rocket science; it is all computerised. It should be a simple case of running it through. Why is it so hard?

**Mr BRAND:** My personal view is that it is a reflection of a lack of marketing principles about consumers having wants and needs and responding accordingly. They do not need to respond to people's wants and needs because they bamboozle everyone and keep making record profits at the expense of consumers. At the moment there are no consequences.

**Mr SALARDINI:** I live in Marrickville and I typed in my post code and looked at the offers available to me. There were more than 100 offers, but there were only two variables: whether I wanted electricity and whether I wanted solar feed-in. To get 100 offers with those two variables is not price competition, price innovation or tariff innovation; it is price opaqueness. I cannot compare offer for offer and it creates confusion. Energy Consumers Australia does a consumer sentiment survey, and one of the things it found was that consumers find products offered in the energy sector more confusing than products offered in the finance and insurance sectors.

**The Hon. JOHN GRAHAM:** I found it remarkable that your submission stated 68 per cent of respondents found navigating the electricity market more difficult than navigating insurance, telecommunications and bank services. You could not get a simpler product coming out of the power point into your toaster than what they are offering, but it is more complex than these reasonably sophisticated areas of the economy.

**The CHAIR:** With far less risk than the insurance industry.

**The Hon. JOHN GRAHAM:** Your submission was excellent. You really went to the heart of the opaqueness but also the idea of innovation. There is a lot of talk about market innovation. You have just made the point that there are some limited differences: availability of feed-in tariffs, renewable energy and demand management programs. But all of these innovations, with the exception of demand management, have largely been driven by government programs or public policy provisions. All this talk about innovation is not really stacking up for consumers or for your members, is it?

**Mr SALARDINI:** Not at all. With the example of demand management, if you do have the chance to talk to retailers, look at how many customers are on demand management, and they are solely responsible for that. The other one—a lead indicator, I would suggest—is the rollout of smart metering in regional areas. If that is a slow rollout, that is a strong indication of an uncompetitive market that does not look at innovation. It costs about \$100 just to go and check people's meters in regional areas, plus you cannot have demand tariffs. There are a lot of things it precludes you from doing. The payback would be a couple of years. The fact that they make consumers pay for smart meters in the first place and then have been so slow to roll it out is an indicator of

uncompetitiveness. But that is almost like a forward indicator. Let us check how quickly we see the rollout of smart meters in regional areas. If it is slow, I dare say that is an indicator for you to keep the retailers accountable.

**The Hon. ADAM SEARLE:** On that, a lot of smart meters are digital and need access to the internet. That is really patchy and problematic in regional areas. Is that not just saddling your members with additional costs?

**Mr SALARDINI:** There are different ways to go about it. There are smart meters and there are smart meters, but there are other monitoring devices that you could roll out in regional areas. You raise a great point around telecommunications—there might be another whole inquiry in that. There are other communications that are not necessarily real time but can upload the data on a needs basis.

**The Hon. ADAM SEARLE:** On that point, my retailer bills and only does meter reading periodically. When you get your bill, you can click on it and manually put in both your solar inverter meter reading and your consumption meter reading and it then does the net billing, and you can do that every month. If one small retailer can do that, why not all of them?

**Mr SALARDINI:** That is exactly right.

**The Hon. ADAM SEARLE:** There is no need for smart meters.

**Mr SALARDINI:** There are other things smart meters let you do—for example, demand tariffs that are in real time so that you can monitor your energy and avoid the peaks, for example. But, as you say, there are other alternatives, even in areas where telecommunications might be patchy. Again, there are a lot of different ways to boil the egg and I do not think any of those have been addressed.

**The Hon. ADAM SEARLE:** If you are running a family, you have to cook dinner at approximately the same time every night—you cannot decide to cook your meals at 3 a.m. just because the electricity is off peak. In the case of dairy farms, you cannot move the consumption of energy around the time frame; you have to use it when it is needed—is that not the case?

**Mr SALARDINI:** It is in a sense. There are certain types of demand that are elastic and certain types that are inelastic. You are right that you have to do the inelastic stuff no matter what. There are other options, particularly, for example, in dairy that we can explore—the use of solar and battery to complement the grid-drawn electricity can shave your peak and reduce your costs, and make your solar and battery more cost effective. Having that information is more than just having a billing system; it actually helps consumers change their behaviour, making an investment in renewables and battery storage. It opens up a lot of opportunities. The fact that it is 2018 and this technology has been around for 20 years—Victoria rolled it out—yet less than 5 per cent of Essential Energy customers have it suggests to me there is something wrong with how the system is operating.

**The Hon. ADAM SEARLE:** Getting back to the lack of transparency in the market, the Committee has received a lot of evidence about discounts being offered by energy companies. They say, "Sign up with us and get 30 per cent off," or, "Combine gas and electricity off and you will get X per cent," but, when you look into it, it is not necessarily a discount on what a customer is now paying; it is a standing discount offer which does not have a real-world relationship to what people are paying. Should there not be a requirement that any discount offered to a customer is in fact a real discount off what they are paying? Would that not be more transparent?

**Mr BRAND:** I would have thought so. It is another example of how it is an uncompetitive marketplace and that they are using confusion to continue to run their businesses the way they have run them for decades. Yes, they have these consumer offers—again, terms and conditions apply. We have had that scenario with the association. We have worked with energy retailers to look at discounts but then if you go on as a consumer not linked to a buying group, if you like, you can get a better discount depending on what day or what month it is in terms of what offers they have. Coles and Woolworths could not operate like that in terms of confusion—and we have seen it from time to time when they have done consumer promotions that have caused confusion. All hell breaks loose and talkback radio jumps on the bandwagon. But for some reason in the energy space they seem to be able to continue these practices that are very confusing and, you could argue, are misleading.

**The Hon. ADAM SEARLE:** Indeed. Keeping in mind the needs of regional communities and in particular the members of your organisation, what are the things that the New South Wales Government should do that would help your members get lower power prices?

**Mr BRAND:** Measurement and evaluation are really important. One of the things we are working on with the Government at the moment is doing some projects in key regional areas. One of them is up on the North Coast, where we have a geographical area with 260 dairy farmers, two processing plants and a number of milk depots that all require large amounts of electricity. What we want to do there is, first, get the measurement and evaluation, understand when the peaks are—when the true peaks are—and then look at the options that are then available not only for the processing sector with that business model but also for the farming sector and look at things like off-grid, microgrids, battery storage and solar.

They are the sorts of things we are working closely with the Government on to try to get some of these projects off the ground. Once we have that critical data, we can then replicate that in the irrigation sector, the horticulture sector, the intensive industries and the cotton industry, for example. There are some really good opportunities to get that fundamental information, because knowledge is power—pardon the pun—and, from there, work with the retailers and others to look at ways of providing solutions for the sector.

**Mr SALARDINI:** The other element is obviously the retail sector. We have covered this ground, but we note that they are more complicated in the eyes of the consumer than insurance and banking products. The retail sector could take a note from the financial sector and have a comparator rate type of arrangement and standard contracts. One of the big issues that has come out is that as a consumer you are not comparing apples with apples. For example, with those discounts that Mr Searle was talking about such as 25 per cent or some random offer, if you read the terms and conditions, it could be for three months, six months or nine months.

One could be for 12 months and another for three months which then reverts to a higher rate. With standard contracts you can compare like for like. With a comparator rate you can cut through the confusion. They might be saying this is how much you will be charged per kilowatt hour but I can look at the comparator rate and it tells me my true costs—then I can compare apples with apples. In the retail sector and, as Mr Brand mentioned, in the networks, we are getting the data first and then looking at how we can augment the grid to reduce costs for regional users.

**Mr BRAND:** In the innovation space, when there was a rebate for solar we were bombarded by solar power companies from all around the world. Some of them worked; some of them caused fires because they were cheap, got hot and caught alight. That is a good example to say that we need to ensure we have put some rigour around some of these innovations, because there are people that then try to capitalise on a problem and often they do not have the checks and balances in place. There is also a role for very clear standards and guidelines around some of this innovation, otherwise we will have another issue of people getting very disappointed—thinking they have solar panels that will help their business when in fact they do not.

**Mr SALARDINI:** The final issue is maybe not having an over-reliance on the big retailers to roll out all energy policy. An example would be the renewable energy targets [RETs], which give double the subsidy, compared to someone who is doing small-scale solar. And that was supposedly to offset State government subsidies to small-scale solar. We have a situation now where if you are a farmer or consumer you are putting the same amount of energy back into the system and you are getting half the subsidy. Considering that the retailers are potentially part of the problem through their uncompetitive behaviours, it is a strange thing to continually rely on them to be the flag-bearers for energy policy. We support the National Energy Guarantee [NEG] as an example but if it entrenches the retailers' position in the market, that needs to be looked at as well. In making policy, in the end what everybody is looking for is consumer empowerment. The way government rolls out their own programs as well, potentially it either contributes or does not contribute to that.

**The Hon. BEN FRANKLIN:** Can I go a little further on the NEG? I note that you say in your submission that the period between 2010 and 2016 was defined by significant uncertainty. You go through all of that. You have made it clear that farmers have been supportive of a sensible, national plan to reduce emissions. Can you give the Committee some specifics on your views about the NEG as it is currently beginning to crystallise, and if there is anything that you think the New South Wales Government needs to consider when it is at the Council of Australian Governments [COAG]?

**Mr SALARDINI:** I think the first point to make is that the NEG as an instrument is probably the right policy. It is the first time that you have environmental regulations sitting within the market. You are looking at affordability, reliability and price as one, the "trilemma" as one. Before, we had the SET—not the SET, the RET. There is so much uncertainty I do not even know which framework to talk about. We had the RET sitting outside and working independently of other things, like prices. The NEG, for example, will bring it all together into one area. The big issue is around whether it entrenches the retail and large generators' position in the market. If those obligations create the barrier to smaller retailers that might be more innovative, we have an issue.

In writing our report—unfortunately, the NEG came out on the day that we were finalising our report—we have only had a little place holder around our position. In general we support it. The key issue to look at is whether it entrenches the current incumbent's position in the market because all the obligations and contractual arrangements seem to be with those retailers. We want to make sure that is not another barrier to competition within the market.

**The Hon. BEN FRANKLIN:** Obviously, renewable energy is something that you have focused on and you have referred to it in your submission here today. It is terrific and I understand your concerns regarding, in particular, Federal Government issues predominantly with subsidies and so on. On a State level, can you identify if there are any programs that have helped drive an uptake in solar, particularly in farms, and what other programs or opportunities you think the State Government should pursue in order to increase that?

**Mr SALARDINI:** I think from the State Government perspective the Climate Change Fund provides a great opportunity to roll out issues around renewable energy and battery storage. The program that Mr Brand mentioned around the North Coast and getting the data around things like what the demand looks like, what is the future demand going to look like in the agricultural sector, what are the network costs and when is the renewal of those assets coming up, and how can we then use solar and renewables to actually reduce further investment in the network? We need to do that across New South Wales. That is just a case study on the North Coast. We need to be able to replicate that across every sector in New South Wales. That costs money. That needs a partnership between the network, big energy users, small energy users, and government. Again, we look forward to seeing the Government announce something around that. We are hopeful.

**The Hon. BEN FRANKLIN:** Watch this space.

**Mr SALARDINI:** That is one area that we can do. The other area where we think there is an opportunity, there is an issue where the costs and benefits of renewables fall in different areas. In the example we gave just then with Essential Energy, if a certain user at the end of the line puts in battery storage and renewable energy, the network costs might be able to come down. There is no way though at the moment for that user to recover any of that benefit from Essential Energy. So we are almost in a regulatory sandpit to see how Essential Energy can work with some end users and see how we can split the benefits and costs evenly between everyone who is affected by those investments, basically. At the moment, regulatory rules forbid Essential Energy to get involved in anything that is under generation. We almost need a rule change in the market to allow that.

**Mr BRAND:** I think the other thing is also demystifying some of the, I guess, technologies that are out there. Micro-grids: How does that work? How do you get involved? We are already seeing some challenges with solar in terms of solar farms being set up that potentially are being built on prime agricultural land, for example. There have been a few issues just recently, particularly down south in the Riverina where some solar farms are being built and there is a view they are probably being positioned or built on land that would be more productive being used for planting a crop. I think there are going to be some opportunities and challenges there around ensuring that if we do go down that path of more solar farms—which I think is a good thing to do—we have to make sure we are putting them in the right places and try to avoid some of the land use conflicts we have had in other industries.

**The Hon. BEN FRANKLIN:** What about local energy, particularly micro-grids, which are mentioned in your submission? Do you want to add anything to that?

**Mr SALARDINI:** Yes. I think there are two issues: a regulatory issue and a messaging issue. In certain areas micro-grids potentially provide more reliable electricity. One of the major concerns is—it is almost a misplaced concern—that if I go on a micro-grid I am on unreliable electricity.

**The Hon. BEN FRANKLIN:** I am off the grid.

**Mr SALARDINI:** That is not the case. You can augment micro-grids. There are a variety of options. In places where you are at the end of the line the more cost effective, but more importantly, the more reliable. The example some of our farmers gave who are at the end of the line is a tree branch knocked out a line. It took nearly six days before he had proper electricity again. He suffered for six days through blackouts and brownouts. You will not have that problem with a micro-grid. Getting those messages out is very important. The other issue is around regulation and not burdening micro-grids with regulation that might apply to any other sort of retail provision of electricity. If you set up micro-grids and expect them to be the same as a retailer and burden them with various reporting requirements you are basically going to kill off a lot of micro-grids in the system, particularly community-run and invested micro-grids.

**The Hon. BEN FRANKLIN:** My final question is what are your thoughts about pumped hydroelectricity. Obviously, the Committee is looking into that across the State in a range of ways. I am sure you have been in some discussions about pumped hydro, but do you have anything you would like to contribute now on that issue?

**Mr BRAND:** I think it is about understanding the cost benefit, and as a technology really understanding how applicable can it be to our sector: I guess, what is the tram track of scale of those sorts of technologies, whether it is at a massive, large scale for a large, regional community, or can it actually be simplified down to a small, either single property or a number of properties? I think it is about again demystifying. What we find in this space, a bit like digitisation, there are a lot of buzzwords and it is trying to really decipher and understand how is it going to work, what is the true cost of that technology.

**The Hon. BEN FRANKLIN:** Have you had any examples of farms, either individually or as a collective, looking to power themselves?

**Mr BRAND:** I have not.

**Mr SALARDINI:** No, I have not. As a separate concern, potentially when you talk about pumped hydro make sure you highlight the fact it is a closed system. Because when you go to a farming community and say "We are going to use water for all these different purposes", it is taking their water. I think that might be another barrier—just to use information to get over.

**The Hon. BEN FRANKLIN:** There are obviously fishing issues as well.

**Mr SALARDINI:** Yes, but they are closed systems, so potentially you are not taking water out of the system long term.

**The CHAIR:** Are there any further things about which we have not asked you that you would like to put on the record?

**Mr SALARDINI:** Yes, there is one other thing. I think New South Wales plays a role as a member of the national system and obviously any decisions are made at the Council of Australian Governments [COAG]. In regional areas network costs are the largest proportion of the costs. Because of the gold plating that happened in the 1990s and 2000s those costs are going to increase for the next 10 to 20 years. If you look at Essential Energy's proposal, capital expenditure is down but capital costs are going up. That is because we are still paying for things from 10 and 20 years ago.

The only way to get around that is the rate of return they get on the capital. At the moment it is a very complex system. All I would suggest is that complexity is the friend of the monopoly or the rent-seeking organisation and simplicity is the friend of the regulator and the consumers. In making decisions around regulations, the more simple it is, the more likely that you are going to have a better outcome for consumers. There is a lot behind that, but I think as a principle that is something we should all be pushing for if we have consumers' best interests at heart.

**Mr BRAND:** I think there is one other thing. I think what we have to do also is not be afraid to trial some different technologies. There is nothing wrong with being innovative. We have done it before. As a sector we are very good at making things work. We need to try to look at the technologies that are available and then actually trialling them; not being afraid if it does not work but learning from that. We have scenarios where people are doing innovation but have not necessarily put all the rigour around it so you are never quite sure whether it is going to be able to be replicated in other markets. We have seen that with the South Australian Government with its announcement around the housing development with batteries. The true cost did not come out until after the headlines had dissipated. For me it is about making sure that we look at what technologies are available and then develop a plan around that, with the outcome of reducing energy costs for users.

**The CHAIR:** Certainly those on the water inquiry visited a cotton farm where solar power was driving the pump rather diesel. That particular farm was able to reduce its diesel by about 70-plus per cent for the year?

**Mr BRAND:** Yes.

**The CHAIR:** There are some great initiatives happening out there?

**Mr BRAND:** Yes, we wrote a solar pumping guide for irrigators to try to help start to facilitate that because there is; there are some really good case studies out there where people are doing things.

**The CHAIR:** And it can all be done remotely through telemetry, which is even better?

**Mr BRAND:** That is it.

**The CHAIR:** I want to make a final comment because it makes the situation clear. You talk in your discussion paper "The Future of Electricity in Regional NSW" about barriers to providing affordable and reliable electricity to regional New South Wales. At the second dot point on page 6 you talk about trying to get a fair go in regional areas. You state:

The best deal offered by a large retailer to a typical regional household in Dubbo, Tamworth or Albury is \$2396 p.a. If the household was located in Darlinghurst, the same retailer would only charge \$1808 for electricity p.a. This 25% price disparity cannot be explained by the higher costs associated with providing regional networks.

That basically sums up what we are talking about here; that farmers need a fair go, do they not?

**Mr BRAND:** That is it.

**Mr SALARDINI:** Hear, hear!

**The CHAIR:** The Committee may have further questions to ask you. You will have 21 days to answer those questions and the secretariat will be glad to help you with those. We look forward to maybe combining some of your thoughts in our recommendations to ensure that we drive down electricity prices to a fair deal for the people of New South Wales. Thank you for your evidence.

**(The witnesses withdrew)**

**(Short adjournment)**

**ANDREW BLAKERS**, Professor of Engineering, Australian National University, affirmed and examined

**The CHAIR:** Do you have an opening statement or any opening remarks?

**Professor BLAKERS:** Yes, I do. The key point that I would like to get across is that the game is up—wind and solar photovoltaics [PV] have won the race. It is a lay-down misere. The number one new generation technology being installed around the world is solar PV, number two is wind, and coal is a distant third. This year, roughly 200 gigawatts of PV and wind new generation capacity will go in around the world, while only 50 gigawatts of coal will go in. That is a difference factor of four between PV and wind and coal. In Australia, virtually all new generation capacity is PV and wind. The reason for this is that PV and wind are decisively cheaper than coal, even when one adds the additional costs to stabilise a variable renewable energy supply, such as storage, primarily in the forms of batteries and pumped hydro; stronger interconnection; and some spillage of wind and PV. That is the basic message I have. If you want cheap electricity you push renewables as hard as you can.

**The CHAIR:** In the illustrations that we have seen of base-load power, one of the arguments has been that wind is unreliable, even if there is some mapping. The argument is that wind is unreliable, as are solar panels, which rely on sunshine. Professor Blakers, do you want to make a comment on that?

**Professor BLAKERS:** That is simply wrong. There is a well-recognised path to a highly reliable renewable energy system. The path comprises of three components. The first is storage. The market leader in storage is far and away pumped hydro, and New South Wales has a wealth of pumped hydro. Batteries are coming and they will make a major contribution. Demand management is also a form of storage in the sense that if the demand is trimmed it is the same as having storage. That is the storage side of things. The second component is that as we push up into the 50 per cent to 100 per cent renewables range strong interstate connections are needed, because if more than a million square kilometres from Townsville to South Australia to Tasmania are interconnected, then it is highly unlikely that there will be no wind or sun anywhere over a 24-hour period.

The third component is to build approximately 10 per cent to 15 per cent more PV and wind than needed and spill a small amount. The cost of storage plus additional high-voltage interconnectors plus spillage turns out to be approximately \$25 per megawatt hour, compared to the current wholesale price of electricity, which is up around \$80 or \$90 a megawatt hour. Adding in \$50 per megawatt hour for the actual generation pushes the total price up to \$75 for an all-in, highly stable renewable energy system, compared to \$80 or \$90, which is the current wholesale price. It will be more, not less stable.

**The CHAIR:** When considering the impact of the kind of seismic shift to renewable energy that you are talking about, what will happen to the workforce?

**Professor BLAKERS:** The workforce has to change. Fortunately, a large fraction of the types of work required for wind, PV, pumped hydro and high-voltage interconnectors is not dissimilar to what is needed for mining. It involves people who know how to drive heavy trucks, dig holes, move earth, erect powerlines, do the electrics and run substations. All of these jobs are quite similar to what is involved in running coalmines and coal-fired generators. It is different work to some degree and quite similar work to some degree. Importantly, all of the coalmines and coal generators are in rural areas, and that is where all of the wind, most of the PV, all the interstate interconnectors and most of the storage will be.

**The CHAIR:** On the second page of the report under the graph it states that solar PV and wind are both cheaper than new-built coal, gas, nuclear and other renewable energy technologies. What data do you have to justify that statement?

**Professor BLAKERS:** There is extensive data now available overseas and in Australia. Given that last year approximately 170 gigawatts of wind and PV went in around the world and that this year approximately 3 gigawatts of wind and PV will go in in Australia—last year there was approximately 2 gigawatts—there is now a large amount of accumulated data on what big ground-mounted wind and solar systems cost. In 2016, there was an arena 100 megawatt solar support round that provided publically available data, which showed PV was coming in at approximately \$75 per megawatt hour. It is clear that PV is now approximately \$65 and wind is approximately \$55. There is only one direction that those prices are going and that is down. A large number of public auctions overseas had starting prices down around \$30 and \$40 per megawatt hour. We are not sure

whether they are pure prices or are slightly subsidised, but they are low. I compare those prices to the current wholesale price, which is \$80 or \$90.

**The CHAIR:** Are you aware that the global statistic on the combined use of wind and solar is 0.97 per cent of the world's energy use?

**Professor BLAKERS:** No, that would not be right. It is up around 3 per cent. Statistics that are two years old are way out of date. In fact, it is very simple. At the moment, PV is growing at approximately 25 per cent per cent and wind at approximately 10 per cent per year. That is looking at growth rates averaged over the last five years. In fact, if those growth rates continue, the entire world energy supply will be PV and wind by 2035. It is an amazingly rapid increase.

**The CHAIR:** Could you supply evidence that shows it is 3 per cent? That would be helpful. The secretary will remind you what to do. In terms of batteries, yesterday, we visited an organisation where a professor was reflecting that battery does not produce power; it merely stores it. Looking at the Tesla battery in South Australia, it does not really contribute to the grid; it merely undergirds any unreliability.

**The Hon. ADAM SEARLE:** Frequency controlled services.

**The CHAIR:** Yes, thank you.

**Professor BLAKERS:** Yes, storage simply shifts power from one time to another, so during the day it is stored and in the middle of the night it is discharged. Whether it is batteries or pumped hydro, they have the same function. As renewables are pushed up above 50 per cent, large-scale storage definitely needs to be included. At the moment, 97 per cent of all large-scale storage around the world is pumped hydro. My group at the Australian National University, with support from the Australian Renewable Energy Agency, has done a comprehensible geographical information analysis of all the pumped hydro sites in Australia. We found 22,000 of them. This was extremely widely publicised in the course of last year and led to discussions with the Prime Minister and many Cabinet Ministers and shadow Cabinet Ministers and others. It was a very widely noticed piece of work. It turns out that 22,000 is about a thousand times more pumped hydro sites than we actually need; we need about two dozen spread from north Queensland through to South Australia and across to Tasmania.

The important thing about these sites is that they are not river based. They are off river. You do not need a river to run a pumped hydro. Essentially, you need a high hill, preferably with a 300, 400 or 500 metre height difference between the top and the bottom. You build a small reservoir in the high, dry gully at the top and another one at the bottom. You put a pipe or tunnel in between and the same water goes round and round the circle. We do not need to get into arguments about which river we are going to dam. We just need to identify sites that are off river, and we found 22,000 of them.

**The CHAIR:** That water is pumped by what energy method?

**Professor BLAKERS:** During the day the water is pumped using solar or wind and when you need the water back again you let it back through the turbine. You lose about 20 per cent in that round trip. You need to provide extra energy to cover those storage losses, of course. That is included in our analysis of a whole system cost.

**The CHAIR:** Do you have any comment on whether Snowy 2.0 is a good or bad project or does it depend on how it is powered and the gains and losses of the megawatts that have been quoted?

**Professor BLAKERS:** Snowy 2.0 entails a two gigawatt power station and pump located underground in Kosciuszko National Park between two reservoirs separated by a height difference of 650 metres. There is a week of water in Tantangara Dam, so that translates to about 350 gigawatt hours of water. In order to support a 100 per cent renewable electricity system for the whole of Australia we need 450 gigawatt hours of storage. Snowy Hydro all by itself has 350. The difficulty with Snowy Hydro is that it only has two gigawatts of power. That means you cannot get the water out fast enough because you actually need about 20 gigawatts of power to support a 100 per cent system. Snowy Hydro by itself can go a substantial way towards meeting the storage needs of the Australian electricity system but is not of itself sufficient. However, Snowy 2.0 is by itself sufficient to support a 50 per cent renewable electricity grid—just Snowy 2.0 alone.

**The Hon. ADAM SEARLE:** Your submission and the associated papers released last year give a road map as to how we can get to a 50 per cent to 100 per cent renewable energy grid. Is that correct?

**Professor BLAKERS:** Yes.

**The Hon. ADAM SEARLE:** The missing ingredient compared with what we have now is that we do not currently have sufficient storage.

**Professor BLAKERS:** You can get to 50 per cent with no more storage.

**The Hon. ADAM SEARLE:** That is with Snowy 2.0 being fully implemented, is it not?

**Professor BLAKERS:** Or the equivalent in batteries, or a mixture, or demand management. All of them achieve the same function. You need very little storage before you get to 50 per cent. The clearest evidence for this is South Australia. South Australia is already at 50 per cent renewables. It has no hydro, no coal and a skinny, weak connection to the eastern States. It works. Today you are probably aware that they have announced a target of 75 per cent by 2025. I would be very surprised if they are not at 100 per cent by 2030.

**The Hon. ADAM SEARLE:** But your proposal is that to provide security and stability we need reliable storage and pumped hydro is the most reliable storage technology in the world at the moment.

**Professor BLAKERS:** And batteries. It will be the two. And demand management, which does the same thing.

**The Hon. ADAM SEARLE:** Your indication was that there are 22,000 potential pumped hydro sites around Australia, including nearly 9,000 in New South Wales. Can you give us some sense of where some of those might be located?

**Professor BLAKERS:** Yes. We excluded national parks before we even started looking, so we did not buy into that argument. Almost none of them are located on rivers and they are essentially all up and down the Great Dividing Range, mostly on the western slopes and in the coastal ranges running down to the sea. They are just everywhere.

**The Hon. ADAM SEARLE:** Your evidence is that Australia would need about a dozen pumped hydro stations.

**Professor BLAKERS:** One or two dozen. You do not want all your eggs in one basket. You could do the whole thing in Snowy 2.0 but if there is a problem there you have lost the whole lot.

**The Hon. ADAM SEARLE:** It is a question of risk diversification. Maybe if you had 12 across Australia it would diversify the risk?

**Professor BLAKERS:** Yes.

**The Hon. ADAM SEARLE:** Does that mean that proportionally you would need about three or four in New South Wales?

**Professor BLAKERS:** That is right.

**The Hon. ADAM SEARLE:** How much would these cost to build?

**Professor BLAKERS:** The rough cost of building a 10-hour pumped hydro storage—that means if you have got a gigawatt is has got 10 hours of water behind it—is around about \$2 million per megawatt.

**The Hon. ADAM SEARLE:** In your submission you say that we need 450 gigawatts of stored energy.

**Professor BLAKERS:** We need 450 hours gigawatt hours—that is the energy—and 20 gigawatts of power.

**The Hon. ADAM SEARLE:** That is the output?

**Professor BLAKERS:** The power is how fast you can get that water out and the storage is how much water you have got. That is the energy.

**The Hon. ADAM SEARLE:** What would be the cost of building three or four of those?

**Professor BLAKERS:** If there are 20 gigawatts of power at \$2 billion per gigawatt that is \$40 billion spread across the whole of Australia. New South Wales might be a quarter of the economy, so you are talking about \$10 billion that you would have to build over the next 20 years. It is half a billion dollars a year. It is actually quite small compared with the cost of building photovoltaics [PV] and wind.

**The Hon. ADAM SEARLE:** It is cheaper than PV and wind, is it?

**Professor BLAKERS:** It is supporting PV and wind. The major cost is the PV and wind. You have to add about a quarter to a third on top of the cost of building the PV and wind to build the associated storage and increase the interconnection to Queensland and Victoria.

**The Hon. ADAM SEARLE:** And that would give the NEM, or the States that are in the National Electricity Market, the relevant certainty and dispatchability of power that is necessary.

**Professor BLAKERS:** That is right.

**The Hon. ADAM SEARLE:** Some of the arguments against the transition to renewables are the grid was built for base load, where you have the sort of same frequency of power 24/7, and now we are getting intermittent power sources, that is, wind and solar, and yes batteries can provide frequency control surfaces, but, as I understand it, pumped hydro you can turn on when you need it and turn it off when you do not; so it is a form of dispatchable power as well as stored energy.

**Professor BLAKERS:** Pumped hydro is the gold standard; it is much better than coal or gas or anything else you can think of. The reason is that, just like a coal power station, it has a heavy spinning generator and you can make that generator spin and then, essentially, declutch it. So there is no water coming through, there is just spinning, ready for a glitch—just like a coal power station has a heavy spinning generator, and that takes care of a very brief glitch. Then if the glitch looks like it is going to continue for more than a second or two, you open the valve and 20 seconds later you go from idle—declutched—to flat out, and the timescale to go from nothing to full on in a gas turbine is, like, 10 minutes and for coal it is, like, hours.

**The Hon. ADAM SEARLE:** So it is more flexible and dispatchable.

**Professor BLAKERS:** It is more flexible and it is more dispatchable and it is more reliable.

**The Hon. ADAM SEARLE:** These sites that you have identified, do they have sufficient water?

**Professor BLAKERS:** The cost of the water is negligible compared with the cost of constructing. We looked at what would happen if you were in an arid location and you had to truck the water in at full commercial rates—it added 2 per cent to the capital cost. And, of course, the vast majority of sites, it will be a skinny pipeline from some nearby river to fill it once and then, after that, rainfall exceeds evaporation.

**The Hon. BEN FRANKLIN:** Just to quickly follow up on that, in terms of water loss you contend that you would only need to fill it once? I just want to reinforce that that is the case.

**Professor BLAKERS:** That is the case. Rainfall will exceed evaporation in all places that are well watered, and if you are in an arid location, like Port Augusta, then very elementary evaporation suppressors ensure that that is still the case. These are widely used when cities find their water supply running out; they are plastic balls that float on the surface and they simply stop the wind taking off the humid boundary layer. They can reduce evaporation by between 80 and 95 per cent, and that tilts it very strongly in favour of rainfall. One other point: if you have got PV and wind, no more water goes up a coal- or gas-fired cooling tower; in fact, the total all-in amount of water you need to run a 100 per cent renewable electricity system based on PV, wind, pumped hydro is less than one-quarter of the amount you need to run the current system.

**The Hon. ADAM SEARLE:** So the amount of water, for example, used in coal-fired power would not be required?

**Professor BLAKERS:** There is no cooling tower. PV and wind does not use water. It is only a little bit of evaporation of the pumped hydro.

**The Hon. ADAM SEARLE:** The technology to build pumped hydro is relatively off-the-shelf technology?

**Professor BLAKERS:** Yes. There are 160,000 megawatts of it around the world, including 3,000 megawatts or so in Australia. It is 100-and-something-year-old technology completely off the shelf, extremely well engineered, beautifully engineered. There is nothing to impend it.

**The Hon. ADAM SEARLE:** But in terms of the capital costs that you have outlined, notwithstanding that over time it is not that expensive, given that the Government has essentially privatised electricity assets and we are now—

**The Hon. BEN FRANKLIN:** Leased.

**The Hon. ADAM SEARLE:** Sold, privatised, put in private control—we are in the situation where, essentially, we are now dependent on non-government actors to invest and build new supply, at least at the

present, it seems that the price point for pumped hydro is still at a level. If you were a private investor wanting to invest in renewables you would probably invest in PV or wind before you invested in pumped hydro.

**Professor BLAKERS:** I would like to make the point that until you get to about 50 per cent renewables you do not need any more storage. No-one is going into invest in pumped hydro in New South Wales for at least five or six years because it will not be needed, with the possible exception of a large government investment in Snowy 2.0. South Australia, which is already at 50 per cent—and in the next 12 years I think will go to 100 per cent or even 120 per cent exporting to the east—now has at least five and possibly seven pumped hydro systems on the table and I think a fair few of them are going to get built. The places they are popping up are, for example, in old mining sites where they have to rehabilitate the land. Why not just shape it to form an upper or lower reservoir while you are doing it?

**The CHAIR:** It might be fair to say you may not need more water for that but we definitely need more water for New South Wales; so there would be some dams that you capitalise for that particular situation.

**Professor BLAKERS:** Unfortunately, there is almost no existing reservoir in New South Wales that is near a high hill that is not in a national park. But there are some interesting mining sites, including in the Hunter, that could be rehabilitated as the lower reservoir for pumped hydro and then you would build another high one.

**The CHAIR:** Are you aware of the Cranky Rock dam proposal?

**Professor BLAKERS:** No, I am not aware of that.

**The Hon. JOHN GRAHAM:** I am interested in how your cost estimate—and I understand you have done a very good job of just sketching that out with some very significant variables—compares with the Snowy Hydro proposal. It has been talked about as maybe a \$2 billion proposal, but you are saying that would supply most of the needs of the system compared with a \$40 billion proposal that would be more distributed and less risky, so that is good—and more distributed has got some advantages. Do you think the Snowy estimate is too low or are you factoring other costs into that \$40 billion?

**Professor BLAKERS:** The \$40 billion is to support a 100 per cent renewable electricity system across the whole of Australia. The Snowy 2.0 is not a 20 gigawatt, 100 per cent supporting mechanism; it is a two gigawatt—that is one-tenth—and the price estimate came in at about \$4 billion for two gigawatts, which is right in the middle of what we expected. We were delighted. The Snowy 2.0 is right in the middle of the cost estimates that we are making.

**The Hon. JOHN GRAHAM:** So you are comfortable with that cost estimate but you are keen to emphasise that it does not do as much as the broader proposal you are looking at.

**Professor BLAKERS:** Suppose it was two gigawatts and we need 20 gigawatts to support 100 per cent renewables, and it is one-tenth of the job, but, importantly, it gets us already to 50 per cent because you need almost no storage at all to get to 50 per cent, most of the storage need is as you push up into the 80, 90, 100 per cent range. South Australia shows that: it has got no storage and it is already at 50 per cent.

**The Hon. ADAM SEARLE:** Just on that point though, one of the challenges that we are facing is that at the moment the State gets about 80 per cent of its electricity from coal-fired power. Some of those power stations will come to the end of their life—for example, Liddell is very close, you have got Bayswater and others. We can see at the moment, for example, AGL has put together a proposal that has about four or five different moving parts to replace the one institution it has got now producing the power. Do you see pumped hydro even earlier than five or six years providing a replacement for some of these power stations in terms of being able to provide that reliable power, apart from the intermittent role that renewables play?

**Professor BLAKERS:** Pumped hydro is a storage; it supports rather than generates. It takes about two to four years to build a pumped hydro system. Snowy 2.0 is special because it has got a 27-kilometre panel, and that will take five or six years. So you need to start thinking about pumped hydro now in New South Wales because it is very clear that New South Wales is going to have a huge amount of wind and PV going in in the next decade. So you need to make sure that you build the storage at the right rate to support the growth and growth of PV and wind. Every single substation in every single country town in New South Wales is going to get a PV system within a kilometre of it that has a rating equal to that substation, or more.

There are going to be tens of gigawatts of PV/wind going into New South Wales and we need to start planning now. South Australia went from almost no PV/wind to 50 per cent in seven years, and it is going to go to 100 per cent in another 10. And New South Wales can go just as fast. There is such a revolution coming; it is unbelievable for those who have not been following it. It is one of the quickest revolutions in any major

infrastructure you have ever seen, because PV/wind is so decisively cheaper now than new-build coal, gas, nuclear—anything you can think of.

**The Hon. ADAM SEARLE:** It is a real disrupter.

**Professor BLAKERS:** It is, absolutely. It is going to come as fast as the internet. People will say in ten years, "Well, of course we use photovoltaic [PV] and wind". It will be scratching your head, "I remember those clunky, old coal power stations. There was one down the road, wasn't there?" It is going to be so fast. Look at South Australia.

**The Hon. BEN FRANKLIN:** I would like to look at South Australia. A narrative which has taken hold within the commentariat is that the failure of the South Australian network, and the resulting blackouts, was entirely the result of a reliance on renewables and the 50 per cent you talk about. Can you explain your views, which I suspect will strongly counteract that?

**Professor BLAKERS:** The main cause was essentially a category 2 cyclone that came through and knocked over 20 transmission towers. Then that had a knock-on effect. There were supposedly mechanisms to cope with sudden loss of a lot of transmission capacity. There were some gas power stations sitting doing nothing because the Australian Energy Market Operator [AEMO] did not look out the window and say, "Oh, there is a cyclone coming, we'd better make sure that all of the reserve power is on hand". They also did not back off on the interconnected to Victoria so it had some capacity to suddenly surge. The wind turbines had some fault settings that did not ride through the surges.

We have learned all those lessons and it is ancient history. The South Australian electricity grid will shortly be more, not less, reliable for the simple reason that when you have 1,000 PV and wind systems spread over a large area you almost eliminate faults in the generation plant. Whereas, when you have got two, three, four coal or gas power stations and you have a boiler blow up you suddenly lose 10 per cent. You cannot lose 10 per cent of wind farms through a technical fault. The weather takes 24 hours to change. When you connect South Australia strongly to Queensland, New South Wales and Tasmania you end up with an extremely stable system, more not less stable than we currently have.

**The Hon. BEN FRANKLIN:** You present an ambitious plan.

**Professor BLAKERS:** It is going to happen.

**The Hon. BEN FRANKLIN:** For many in the community they would consider building 22,000 pumped hydro stations ambitious.

**Professor BLAKERS:** No, I am not suggesting we build 22,000. I am suggesting 22. We found 22,000 sites and we build one in a thousand of them.

**The Hon. ADAM SEARLE:** It could be as little as 12.

**The Hon. BEN FRANKLIN:** Understood.

**Professor BLAKERS:** It could be as little as one if you duplicated Snowy 2.0 10 times. You have enough water in those reservoirs to do almost the whole job.

**The Hon. BEN FRANKLIN:** It is a substantial change to the way we do things at the moment. Do not take this as aggressive or antagonist at all.

**The Hon. ADAM SEARLE:** I suspect we are in agreement.

**The Hon. BEN FRANKLIN:** Can you tell me of any international examples where they have used pumped hydro or they are significantly more advanced than Australia and New South Wales that we can look to see its effectiveness?

**Professor BLAKERS:** Pumped hydro to date is river based and a lot of it was constructed to support nuclear power stations. In Japan, for example, there is a lot of pumped hydro to support nuclear. Nuclear likes to run absolutely dead flat. It does not like to vary its output at all. So pumped hydro was built to look after the ripples of demand on top. The same thing in Europe. In France there is a 70 per cent nuclear component. There is nothing new about pumped hydro stabilising a grid.

**The CHAIR:** In terms of nuclear stability and its ability to be increase and decrease, we heard yesterday from a Professor that those times have changed and those systems do have the flexibility to increase and decrease now.

**Professor BLAKERS:** I am sure nuclear and even coal is being operated as load following. In the past it was hard. It is getting easier with technology advancements. The reason why nuclear and coal does not have a future here or anywhere is simply because PV and wind is half the price. It is hard to convey how astonishing what has happened in the price of PV and wind. It is amazing.

**The CHAIR:** Have you done any modelling for a 500 gigawatt plant as opposed to coal as opposed to nuclear to break down the costings? You say it is half the price, what data have you got to show that it is like for like?

**Professor BLAKERS:** With the PV and wind we have very reliable data from 2016 through the RINA large scale solar. We know that things have moved on greatly from there and there is endless numbers of reverse auctions, which is public data, now being reported in many countries around the world. Those prices are typically coming in in the \$30 per megawatt hour range. There was a major Federal Government report on the cost of a new super critical black coal power station and that came in at about \$75 to \$80 per megawatt hour. Very few people actually believe that would be the price of a new system.

Nuclear has no chance in Australia because of the huge number of infrastructure developments you would need to do before you even got your first nuclear power station in. I do not think anyone has any real appetite for nuclear in Australia. It is coal and gas versus renewables. Gas has been pushed out of the market simply because our gas prices are now fungible with Asian prices. It is simple to show that when you have a gas price of \$8 a gigajoule which is equivalent to \$80 a megawatt hour and that is double the price.

**The CHAIR:** There may not be an appetite for nuclear at this point of time but there is a huge appetite for decarbonizing.

**Professor BLAKERS:** Yes. By the time nuclear generation two or three gets its act in order PV and wind will have done the job. In 2016 the amount of new nuclear that went in around the world was 8 gigawatts net, that is pluses and minuses. Last year it was close to zero. Averaged over the last five years it is 2 or 3 gigawatts. In 2018 there will be 200 gigawatts of PV and wind going in. The train has left the station.

**The Hon. JOHN GRAHAM:** You have given us a good idea of what the scope of a pumped hydro requirement would be for the system you are describing. Can you give us more detail about the interconnections? What would be required to make the network you are describing?

**Professor BLAKERS:** If you try and get to 100 per cent in a small area like New South Wales you have to put a lot of storage in. If you strongly interconnect over one million square kilometres, which is roughly the area of the National Electricity Market [NEM], the amount of storage goes down by a factor of two or three, depending on how big that interconnection is. It is simple to understand why. The reason is that the weather in Townsville is almost never the same as the weather in Tasmania or Adelaide. You can model going back five, 10, 20, 30 years and look at what would have happened if we had PV/wind over 20 or 30 years of weather data and you can work out what the stress periods are.

It turns out it is not hot summer afternoons any more, it is cold wet windless weeks in winter because there will not be a lot of sun in the south, there will not be a lot of wind in the south, but it turns out there is a lot of wind in northern New South Wales and Queensland. That means you need to interconnect from Townsville down to the south and into Tasmania. In parallel with the incredible developments in storage there has been an amazing development in high voltage direct current [HVDC]. This is direct current aluminium powerlines with that diameter that can transmit 12 gigawatts of power, that is a third of Australian peak load, over 3,000 kilometres with a loss of 10 per cent.

**The Hon. JOHN GRAHAM:** It is quite remarkable.

**Professor BLAKERS:** It is entirely feasible to connect Alice Springs with the national electricity market or Perth or the north-west and that is exactly what is going to happen. Furthermore, the north-west will be connected to Indonesia. The entirety of Asia will be connected by HVDC. This is a simple aluminium wire this diameter strung on a high pole running at 1.1 megavolts and that will increase to 1.5 to 2 megavolts. That means you are not limited to 3,000 kilometres with a 10 per cent loss, if you double it to 2 megavolts you have a 6,000 kilometre range. You start thinking about connecting Vladivostok to London and Vladivostok to Canberra.

**The Hon. JOHN GRAHAM:** Can you provide the Committee with a sense of the costs on this side of the system?

**Professor BLAKERS:** There are two components for high voltage DC. One is the cost of the towers and the aluminium cable, and the second is the cost of converters that step the voltage up and down from this incredible megavolt range. Very roughly speaking, for a one gigawatt 1,500 kilometre or 2,000 kilometre powerline from Townsville to Albury, it would be of the order of \$70 million.

**The CHAIR:** Could they be retrofitted to the existing towers?

**Professor BLAKERS:** No, you build new towers. Part and parcel of a pushing up above 50 per cent in an all-Australian grid is that you would not only put in a lot of storage from one end of the country to the other but also interconnect remote areas. The choice of the area to interconnect is done simply by modelling. You go back over 30 years of weather data and establish when the wind and the sun were available in this area, this area and this area, and then you choose those areas that are opposite.

**The CHAIR:** Who is using this HVDC technology?

**Professor BLAKERS:** China and Brazil are leading the way. China is the leader because it has enormous wind and solar resources in the west and all the people live in the east, and there are 3,000 kilometres in between. The 12 gigawatt, 3,000 kilometre cable running at one megavolt that I quoted is in China and it is being built by ABB. It is entirely affordable.

**The CHAIR:** Are they are using it now?

**Professor BLAKERS:** It is being constructed now. If you go to Wikipedia and type in "high voltage DC", you will see a long list of high voltage DC cables. You as you go down by year, you can see that the cable capacity gets bigger, the cable gets longer and the voltage gets higher. It will continue.

**The Hon. JOHN GRAHAM:** You are saying that the cost of transmission are much lower to assist the system than the cost of the pumped hydro.

**Professor BLAKERS:** Not so much that, but you can substitute for a good fraction of the battery and pumped hydro by putting in a cable and the overall cost is lower.

**The Hon. JOHN GRAHAM:** From a New South Wales point of view, there is a couple of ways to mitigate the risk. One is by having more storage and the other is by having stronger interconnections.

**Professor BLAKERS:** It is best to have both.

**The Hon. JOHN GRAHAM:** With a \$40 billion plan, perhaps over 10 years, and then the transmission infrastructure, on the costs you are describing it is a relatively lower component.

**Professor BLAKERS:** Roughly speaking, if you are spending \$40 billion on storage, you would want to spend \$20 billion on high voltage DC cables to Townsville, to Alice Springs and maybe to Perth.

**The Hon. ADAM SEARLE:** Given the dominance of non-government actors in our system, as policymakers how can we ensure that someone is investing the money when it needs to be invested to ensure we have a proper functioning system when we need it?

**Professor BLAKERS:** You need government intervention. There are two obvious parallels. One is that the Government decides when it will build a new road or rail system and it then gets the private sector to build it. The second is the NBN. If you want a large common railroad like a high voltage DC cable and it is a big, expensive item, the Government must step in to make sure it happens. It is the job of the Australian Energy Market Operator [AEMO] to say that we will need new storage within three years and to set up a mechanism to make it happen. There is any one of a dozen mechanisms that the Government can implement to ensure it happens.

**The Hon. ADAM SEARLE:** Is AEMO fulfilling that function? My impression is that it is busy regulating the existing Act. No-one seems to be giving much thought to what needs to be done in the immediate and medium-term future.

**Professor BLAKERS:** We have a fossilised regulation system. However, AEMO has had an amazing new breath of air with the recruitment of a new chief executive officer, who came from the United States.

**The Hon. ADAM SEARLE:** Audrey Zibelman.

**Professor BLAKERS:** Yes. This is bread and butter because of course we do demand management and look the future of photovoltaic [PV] wind. Suddenly it became possible to talk about this. AEMO has a process now to identify renewables energy zones in which it would be wise to put a government facilitated high

voltage AC or DC powerline. It could get two gigawatts from over there because, for example, the PV wind is good and it tends to be available there when it is not available in Victoria.

**The CHAIR:** Are you aware that we have a New South Wales generation plan for the long-term future?

**Professor BLAKERS:** Vaguely, but not in detail.

**The Hon. BEN FRANKLIN:** Pumped hydro is capital intensive to build. I understand this may not be your specific area of expertise, but do you think the current market structures are able to finance the proposal you put forward today?

**Professor BLAKERS:** Small pumped hydro could well happen in the few hundred megawatt range. If you want the gigawatt range, like Snowy 2.0, you will have to do something about getting it built, whether the Government runs a reverse auction or changes the market mechanism. However, it will not happen easily by itself. The same is true for a 2,000 kilometre-long high voltage DC powerline.

**The Hon. ADAM SEARLE:** Reverse auctions conducted by the Australian Capital Territory, Victorian and, I think, Queensland governments have produced some good outcomes in terms of electricity price per kilowatt hour and the like. Do you envisage that a reverse auction for something like pumped hydro is a possibility?

**Professor BLAKERS:** There are two advantages with reverse auctions. First, you get a very keen price. That is the preferred mechanism for PV wind around the world and it can be easily extended to high voltage DC for hydro. Secondly, and very importantly, it is a publicly available price. Everyone can see where the market really is. That was very important for the Australian Capital Territory in those auctions because they gave us very good price points on wind.

**The CHAIR:** That was a fascinating and informative session. In light of your evidence, the Committee may have some further questions. You have 21 days to answer them, and the secretariat will assist you. Thank you for taking the time to give evidence today. It has been very helpful.

**Professor BLAKERS:** Thank you, and thank you for the questions. They were very stimulating.

**(The witness withdrew)**

**SATYAJEET MARAR**, Director of Policy, Australian Taxpayers Alliance, affirmed and examined

**The CHAIR:** Do you wish to make any opening remarks?

**Mr MARAR:** Firstly, I thank the Committee for the opportunity to appear before you and provide evidence. We are a grassroots activist group that represents the interests of over 50,000 Australian taxpayers nationwide who are our members. We advocate on fiscally conservative issues and for a competitive and thriving market that is able to work efficiently to lower prices for the consumer. We have a huge problem in this country right now that is being raised by many of our members across the State and the country whereby even though we have cheap and abundant reserves of reliable and cheap electricity, government regulations have unfortunately contributed in a significant part to very high prices and very high power bills. These bills do not just hurt families; they hurt businesses, they hurt our competitiveness, they are driving manufacturers and other industries and jobs overseas, and that is something we strongly oppose.

The important thing about my evidence today is that nothing I tell you will need to conflict with any of the evidence you have heard from professors and academics about which energy sources are better and why and which one will end up being cheaper and why. Our submission is not to pursue one energy source or the other. It is to remove distortionary government interventions which have done the wrong thing by deterring investment in reliable energy, preventing the development of clean and cheap energy sources such as nuclear energy which are being pursued by other countries but not by us, despite our comparative advantage, and that we ultimately want to have a regulatory environment in which regulations encourage competition and hold the wrongdoers who might be price gouging to account without deterring private competition that provides lower prices and a more effective outcome for consumers.

As the Committee has seen in our submission and according to the Australian Energy Market Operator, a significant driver of price hikes in recent years has been the fact that we are losing our coal-fired power stations—they are being shut down; we are relying more and more on natural gas, which is expensive, driven up by demand from Asian countries and our tough regulatory environment around natural gas; and the overreliance on intermittent wind and solar energy sources. I am sure the Committee has heard evidence today about how solar and wind will be viable and effective in the future and how all the problems we have now are on their way to being overcome. It is not our submission that this will not be the case; it is our submission that if this were true then the level of exorbitant subsidies that we are pouring into these industries should be reduced, and that money can be used to make it even cheaper for people to afford electricity.

We do have 1,000 years of brown coal reserves left in this country. Even countries such as Germany, which are committed to clean energy policies, invest in upgrading their coal powered stations to lower emissions and produce more energy rather than simply eliminating coal overnight. We believe that the regulatory environment in Australia whereby we have such high subsidies for renewables makes coal unprofitable. One of the reasons for this is that when wind is abundant, subsidised wind is able to depress the electricity prices. This means that wind will make money based on the energy it generates, as will solar, due to the existence of these subsidies, whereas coal can only make money as and when it is sought. In other words, coal and natural gas will only make money at the point when the network is not functioning. When that does happen, prices shoot up massively. Demand often does not meet supply. We saw this happen in South Australia in 2017. It means a less stable system.

We are not saying the only reason those blackouts happened is over-reliance on renewables, but it was a significant factor. Ideally there would have been a coal-fired power plant still there which could have kicked in, given that the natural gas plant did not kick in. That would have been significantly cheaper than the natural gas, of course, because we have far more coal. It is far easier to produce and mine. We would also like to see the moratorium on nuclear energy lifted. We understand that is a federal issue but we would like to see the New South Wales Government lobby the Federal Government, because we have such a big competitive advantage in this field.

Even environmentalists are now switching to nuclear because they realise that technology means there is far less waste, there are far more places where you can store the waste with no damage to the environment, human beings or animals, and we have 33 per cent of the world's uranium. One kilogram of uranium produces two million to three million times the energy of a kilogram of coal. We are not suggesting the Government pour a billion dollars into nuclear; we are simply saying, "Lift the moratorium. Let us consider this option." Because I do believe it is a part of our future energy mix in a world that demands not only cheap energy but also clean energy.

Finally, we would like to see New South Wales exit the National Electricity Market [NEM]. This might sound a bit controversial but Western Australia and the Northern Territory have their own grids and they pay less than anyone else. The NEM means we are effectively subsidising the decisions and policies of other States which have led to intermittent, unreliable and expensive power—in Victoria more recently and in South Australia for a long time. We do not think this is fair to the people of New South Wales. Obviously there is a lot more in my submission to canvass but in the interests of time I will take questions.

**The CHAIR:** It is a comprehensive submission. I do not think it is numbered, but at the bottom of page five the submission mentions the impact of green tape. Can you elaborate on all the barriers or hurdles due to the so-called green tape?

**Mr MARAR:** Green tape accounted for about 8 per cent of the increase in power bills. Even though it is not the greatest increase, it is certainly significant. We see this in the form of solar tariff schemes and so on and the need for companies to purchase certificates to show that a certain amount of energy has come from renewables. It is our submission that these things are simply not necessary or, if they were more necessary in the past, they are not necessary now. We just heard from a professor who told us about developments in wind and photovoltaic technology. If wind is indeed so great at providing energy at a cheaper rate than other sources, you do not need an energy retailer to keep producing these certificates. You do not need them to feed in the level of subsidy that they have to feed in right now. Put simply, I believe that doing away with these schemes or reducing them—scaling them back over time and maybe not getting rid of them completely if that is what the Government prefers; I would like to see it gone overnight, but you do not get everything you want—will ultimately mean that that 8 per cent can be minimised.

**The CHAIR:** In your opening statement you said, "Even environmentalists are switching to nuclear." Would you like to elaborate on that comment?

**Mr MARAR:** According to the Intergovernmental Panel on Climate Change, nuclear energy on the current generators produces one fourth the carbon emissions of solar panel plants. Keep in mind with solar and wind energy, right now and for the foreseeable future you still need that fossil fuel backup, so these are not actually clean energy sources, whereas nuclear is. Nuclear is sometimes a politically difficult issue. In 2011 we had the Fukushima incident in Japan. There are all these concerns about safety and the possibility of an event like that. The interesting thing with Fukushima is that it was a one-off incident. It happened on a geographical fault line, the Pacific rim, which we are far away from. It happened because of the perfect storm of a tsunami and an earthquake.

I can find the source on this and provide it to you later, but even recently a school group that visited that region from Paris had Geiger counters on them, and the radiation exposure at the site was less than the radiation exposure at the airport security checkpoint. Meanwhile, air pollution due to conventional energy sources including coal is responsible for increased mortality amongst our populations living in urban areas across the entire world. This energy source is clean; it is less polluting. We now have the technology to produce a small fraction of the waste that we would have produced 20 or 30 years ago. Countries around the world are investing in more reactors to meet their Paris accord obligations. Even though it takes a significant amount of start-up capital and time, and even though we do need an appropriate regulatory regime to make sure that everything is done well, it is worth looking at. That is why environmentalists and businesses are doing so.

**The CHAIR:** The previous witness said that nuclear reactors are getting shut down around the world; you are saying it is increasing. Do you have evidence of that?

**Mr MARAR:** Sure.

**The CHAIR:** You can take that question on notice and provide to the Committee the details of that and the other study you mentioned related to the children going to Fukushima and the readings there.

**Mr MARAR:** Certainly.

**The Hon. ADAM SEARLE:** Your submission suggests that the New South Wales Government should abolish the State level renewable energy target. I am not aware of there being a State renewable energy target. What are you referring to?

**Mr MARAR:** That was in general—a State level renewable energy target should be abolished. Right now the Federal target—

**The Hon. ADAM SEARLE:** Just pause there, we do not have one in New South Wales.

**Mr MARAR:** Yes, I know.

**The Hon. ADAM SEARLE:** How can you abolish something we do not have?

**Mr MARAR:** We are still under the Federal target which is operational until 2020. I might have mistyped that—that was my mistake—but that is what I am referring to.

**The Hon. ADAM SEARLE:** You are saying Australia should withdraw from the Paris accord?

**Mr MARAR:** Yes.

**The Hon. ADAM SEARLE:** Which means we should abandon our obligations that we have assumed to reduce our carbon emissions?

**Mr MARAR:** Yes. I want to draw a distinction here between abandoning the Paris accord and not reducing emissions. I am not suggesting that we should not reduce emissions. I am simply suggesting that the Paris accord is a bad way of going about doing it. Because what it has done around the world is it has forced—especially in this country—policies which have slugged families with far higher power bills and it has discouraged and deterred innovation and investment in other energy sources, which ultimately makes it more difficult for us to assist people who are going to be the victims of climate change.

**The Hon. ADAM SEARLE:** Let us pause here. The Committee has had a significant amount of evidence which simply says the cheapest form of new build energy at the moment, given the current state of technology, is wind and solar photovoltaics. It is cheaper than new coal-fired and it is cheaper than nuclear, with all of its attendant costs. Every machine wears out, the washing machine and the fridge, the car will only go so far and sooner or later they have to be replaced. It is the same with coal-fired power stations. Surely our obligation as policymakers is to make sure that as our existing power sources come to the end of their life, when we build a new power station we should be focusing on that which is going to be less polluting, but importantly, the cheapest one.

**Mr MARAR:** I think the important point to make here is that all the statements, including statements made in the Fingal review, about how solar and wind are allegedly going to be cheaper than coal—

**The Hon. ADAM SEARLE:** No, presently as a new build they are cheaper than coal. It is not a question of faith or belief about the future, it is what is happening now.

**Mr MARAR:** All of those assume current market conditions, including the heavy subsidy that we are injecting into these energy sources and the distortions that have made coal an unprofitable investment.

**The Hon. ADAM SEARLE:** What are these subsidies that you are talking about?

**Mr MARAR:** According to BAEconomics and in research published by the Institute of Public Affairs, per megawatt hour—this is on point 57 of the submission—you can see the relative subsidy that gets given out to different energy sources. We can see that coal is 40¢ per megawatt hour, that is the totality of all the subsidies across the country; solar is \$214; wind is \$74; and other renewables is \$33. In addition to this, you have got governments like South Australia which are engaging in public-private partnerships with multinationals like Tesla where they are giving a substantial subsidy or handout to these companies and that ultimately does distort the market and artificially, not naturally.

**The Hon. ADAM SEARLE:** Let us just talk about New South Wales. What are the subsidies you say are being paid in New South Wales to the different industries?

**Mr MARAR:** I do not immediately have data on specifically New South Wales.

**The Hon. ADAM SEARLE:** I am asking you on notice to come back with that information, because without that very important piece of information much of your submission is nonsensical and carries no weight, if I can put it very directly like that.

**Mr MARAR:** I am happy to pull up that State-specific evidence and I think it will attest to what I am saying. I will provide that on notice.

**The CHAIR:** For the adviser's sake, that pen and paper is so you can write a note and put it in front of Mr Marar so he knows to look at what your considerations are before we run over the top. It is helpful for the witness.

**The Hon. BEN FRANKLIN:** Following up on Mr Searle's questions, particularly with dot points 82 to 86 about the Paris accord, you suggest Australia should withdraw from the Paris accord, yet you also stated in evidence you think that we do have a responsibility to lower emissions. Do you believe that we should have a target of our own instead, and if so what should it be, and how should it be implemented?

**Mr MARAR:** I am against the idea of a renewable energy target. I think that emissions quite naturally are going to reduce over time.

**The Hon. BEN FRANKLIN:** Not a renewable energy target, an emissions target.

**Mr MARAR:** Even emissions reduction targets. Even without these targets we are going to see a decline in emissions, for multiple reasons. First, the development of wind and solar technology, the development of nuclear around the world. For example, Russia, China and India, some of the biggest polluting nations, are moving on to nuclear. We have already seen developments in coal technology which are lowering down the emissions produced by coal.

Another point I wanted to draw your attention to on this is we have established that renewable energy targets [RETs] discourage investment in coal generation within Australia, or discourage us in utilising coal for energy needs here. But what is interesting is because we are getting our energy from other sources, the coal ends up being used by countries around the world as an energy source, which do not have the kind of environmental regulations we have, who produce their own coal, which is not as clean as Australian coal is. Australian coal produces fewer emissions per unit than coal in other countries.

**The Hon. BEN FRANKLIN:** I am more interested in the lowering of emissions and the general agreed need to do that. I think that across the political spectrum there is an agreement that we should be lowering emissions.

**The Hon. JOHN GRAHAM:** Up until this point.

**The Hon. BEN FRANKLIN:** Of course, there are differences of opinion on how to do that. If we withdraw from the Paris accord and if we do not implement any sort of target—

**The Hon. ADAM SEARLE:** Where is the impetus for change?

**The Hon. BEN FRANKLIN:** Thank you, Mr Searle.

**Mr MARAR:** Even by the United Nations' [UN] own modelling, even if every signatory of the Paris accord, including the United States [US] before they exited, met their obligations, the reduction in emissions will be less, that the rate at which the temperature increase goes down—so not the temperature decreasing but the rate of increase slowing down—will not make it a worthy accord for us to enter into. All that is going to happen is we are going to delay the inevitable, which is temperatures eventually hitting the level they otherwise would have except a few decades down the track.

That is the reason why we are against these targets, because they do not achieve the outcome that they meant to achieve. We believe that emissions will naturally move down as technology continues. We have already seen that over the last 20 years or so and in the next few years to come. That is our submission on that. We do not accept that there is a need for countries to come together, come up with a half-baked compromise, like what the Paris accord is, that aims to placate some countries while slugging others with high prices. We do not think that is the best mechanism.

**The Hon. BEN FRANKLIN:** I understand your position. Can we go to your view about nuclear, which is obviously a very favourable one?

**Mr MARAR:** Yes.

**The Hon. BEN FRANKLIN:** The impression I get is that it is almost the panacea for our energy needs. Is that a fair comment?

**Mr MARAR:** Certainly. We think Australia—

**The Hon. BEN FRANKLIN:** Thank you. I have limited time and I want to get to the question. The Committee heard evidence from the last speaker that for new energy generation installed worldwide in 2016 there was more than 120 gigawatts from solar and wind but only eight gigawatts from nuclear energy. How do you explain that if this is something that is the future and is something that the world is looking at?

**Mr MARAR:** One of the issues with nuclear is that it takes time to develop, it takes a lot of start-up capital costs. In countries like the US it is incredibly difficult and unviable because you have extremely cheap natural gas there that drives the prices down, and is easy to access, compared to here. Secondly, the regulatory environment in the US, even though they permit it, is so extremely difficult that it becomes unviable. That is the reason why we are not seeing that many nuclear reactors built, because regulations often tend to be extremely precautionary, and for good reason.

But it is our belief that given the developments and technology you do not need that kind of regulation any more. The United Kingdom [UK] is a good model for Australia because they are building more reactors. China, Russia and India are building more reactors and they have developed their own regulations, which we can look at. I think if you account for all those factors you will see more nuclear. All we are suggesting is not getting the Government involved in nuclear but allowing the development of the option by interested investors.

**The CHAIR:** In your submission at point 55 you talk about high energy low emissions coal. Do you want to speak to that for a moment?

**Mr MARAR:** Sure. We have seen developments in brown coal technology, for example. Thailand and Germany are upgrading their brown coal generators to produce fewer emissions for the same amount of coal.

These sorts of innovations which allow us to still use fossil fuels because we have to for the foreseeable future while reducing the amount that we emit, that should be taken into consideration when you have any sort of financing regime designed to prioritise lower emissions technology. It is simply our submission that you should determine these grants based on the level of emissions that will be reduced by the grant being provided as opposed to what type of energy it is. I would foresee that if this reform were implemented you would see some grants being given to lower emissions coal and you would still see finance going to wind, solar and so on.

**The CHAIR:** Could you make a comment about batteries?

**Mr MARAR:** I think we are seeing some promising things out of South Australia but it is still going to be a very long time before that technology is a viable replacement for fossil fuels.

**The Hon. BEN FRANKLIN:** That is quite true. I was thinking about Liddell, which I am sure you have looked into. The private company AGL has come up with an interesting solution to what they would like to implement once Liddell shuts. What do you think of that solution?

**Mr MARAR:** Sorry, could you remind me again what that solution is, please?

**The Hon. BEN FRANKLIN:** There is a whole range of things. There is some wind, some solar, some batteries but predominantly it is a renewable solution that will provide in fact slightly more power than Liddell otherwise would be providing. Have you had a look at that?

**Mr MARAR:** If AGL has done the statistics on that, and assuming it will cost less than coal, then 100 per cent they should go ahead with that. But they would have made their assumptions based on the current environment and pricing environment rather than what it would be if government intervention in this was reduced to make coal more of a viable option as well alongside those things. I do think that even with that mix there still are concerns about the reliability and the intermittency of these clean energy sources. I hope that innovations in the future will help resolve this issue. Ultimately if coal is part of that mix, alongside the solution proposed by AGL, then that should be allowed as well.

**The Hon. JOHN GRAHAM:** I was keen to ask about the Australian Taxpayers Alliance. Your submission notes that you are here speaking on behalf of your more than 50,000 members?

**Mr MARAR:** Yes.

**The Hon. JOHN GRAHAM:** Can you tell us a bit about your organisation?

**Mr MARAR:** Sure. We are a grassroots activist group. Rather than undertaking primary research, we compile research from a range of other sources into policy briefs like this one here. We engage mainly on issues of fiscal conservatism, but also individual freedom, civil liberties, the right of a business to stay open and to deal in a competitive, strong market. That sums up what we are about.

**The Hon. JOHN GRAHAM:** Can you tell us about your affiliates? Who are they? Who is actually a part of your organisation?

**Mr MARAR:** Our affiliate organisations are MyChoice Australia, which focuses on our consumer choice campaigns. We have tobacco harm reduction, which focuses on safer alternatives that help people quit smoking and legalising that in Australia. We are also affiliated with the Australian Libertarian Society, which is a student activist group of people who share libertarian ideas. We organise socials, we run a conference every year for students, just educating them and spreading ideas of free markets and so on.

**The Hon. JOHN GRAHAM:** Any others?

**Mr MARAR:** No.

**The Hon. JOHN GRAHAM:** Menzies House, for instance?

**Mr MARAR:** No, we do not work with them. We have never done anything directly with them. We do not have a direct relationship with them.

**The Hon. JOHN GRAHAM:** Liberty on the Rocks; I was interested to know just what that organisation is?

**Mr MARAR:** Liberty on the Rocks is a monthly social that we organise in different cities that bring together people to share ideas about competitive markets. I do want to stress that we are a non-partisan group. We work and we deal with people who support Labor, who support The Greens, who support—

**The Hon. JOHN GRAHAM:** Sure.

**Mr MARAR:** Me, personally—I make full disclosure—I am a member of the Liberal Party, although often the job that I do now puts me in a situation where I am criticising policy hailed by Liberal governments.

**The Hon. JOHN GRAHAM:** I can see that. You say that your organisation at the moment or in the past has no links to Menzies House?

**Mr MARAR:** Not that I am aware of. I am sorry, was it Menzies House or Menzies Research Centre?

**The Hon. JOHN GRAHAM:** Menzies House?

**Mr MARAR:** Oh right, okay, sorry. Menzies House was a website that we helped to run for a while—it has now been shut down—where we would often put up articles from some of the students that we engaged with on social platforms.

**The Hon. JOHN GRAHAM:** I want to ask your views on brown coal and the potential for that. Do you want to expand on the views you have put before the Committee so far?

**Mr MARAR:** Sure. I think the important thing here is that while there are only 100 years of economically recoverable black coal in Australia, there are more than a thousand years of brown coal available in Australia. Brown coal produces less energy per unit than black coal but it is more abundantly available and La Trobe Valley in Victoria has some of the largest reserves in the entire world. It is entirely viable for us to have generators here funded by the private sector which could purchase that coal that is mined in Victoria and bring it here for our own use.

**The Hon. JOHN GRAHAM:** Would you call on New South Wales to switch from its existing coal resources into brown coal resources? Is that part of what you are calling for in your submission?

**Mr MARAR:** If our existing coal-fired plants can be upgraded—that is, the government-owned ones—to deal with brown coal, then that is something we would definitely encourage. We believe that if you remove these regulatory barriers I mentioned earlier, you will see brown coal investment going up.

**The Hon. ADAM SEARLE:** My reading of your submission is that it is a little confused around a couple of issues. You are pro-competition and you are in favour of deregulation, yet all of the evidence we have had is that the deregulation, as it has been practised both in Victoria and here, has actually resulted in uncompetitive markets and higher prices. That is one concern I have got. The other concern is you seem to be favouring the Independent Pricing and Regulatory Tribunal [IPART] finding from last year that somehow electricity prices in New South Wales have actually fallen by 5 per cent but you acknowledge the Australian Competition and Consumer Commission's [ACCC] work that says in fact it has increased by about 63 per cent over the last decade. Now all of these things cannot be simultaneously true. Do you accept that electricity prices for households and businesses have actually significantly increased over the last few years?

**Mr MARAR:** They absolutely have but deregulation is not the reason for it and I am able to make that statement because we have seen privatised and deregulated electricity prices in South Australia, Victoria and the Australian Capital Territory since the 1990s which did not in fact result in an increase in prices. More recently we have seen increase driven by other factors, such as increased reliance on wind, solar and natural gas in those States.

**The Hon. ADAM SEARLE:** Just on that, Carbon Market Economics, run by respected economist Bruce Mountain, has done an analysis of regulated versus deregulated jurisdictions in Australia and discounting the sort of network costs, looking at the retail market insofar as you can get reliable data, and the evidence he presents is quite compelling that in the deregulated jurisdictions of Victoria and New South Wales you have had skyrocketing prices particularly driven at the retail sector whereas in the regulated market, for example in the

Australian Capital Territory, prices are lower. It seems to me to be pretty compelling that one of the key drivers of price increases has been, at least in the form it has been done, the deregulation we have experienced, and the massive profit margins. The Grattan Institute, which was not the last time I looked a left-wing outfit, has also presented a pretty compelling case that the retail market in Victoria and New South Wales has gotten out of control to the disadvantage of consumers?

**Mr MARAR:** Sure, and those are valid concerns you raise. What was interesting about the ACCC is that they found that competition had increased but there was a strong degree of market concentration. They found—and the Grattan Institute found this as well—that consumers engaged with the market were able to obtain far lower offers than the offers that they had. However, many consumers continued to not even be aware of the offers that might be available to them, which is why we would favour a solution where the Government empowers consumers to bargain with the energy company and negotiate the best deal possible and where any collusion should be discovered, it can then be dealt with by the appropriate regulatory agency.

Deregulation in and of itself is not the reason for these prices going up. It is perhaps the way it has been done or the lack of next steps to come, which would allow people to take advantage of the fact that we have more competition. The ACCC has concluded that over time in Victoria and New South Wales you are going to see more competition, you are going to see that issue ameliorate itself slowly over time. We want to see deregulation done effectively. We want to see it lower down the electricity prices. We believe that the reforms we mention here will help to achieve that without needing to do away with deregulation of the prices. For example, the Independent Pricing and Regulatory Tribunal [IPART] said that under the previous regime, consumers were paying compensation to retailers every time they switched to a different energy company. We do not want to return to that.

**The Hon. ADAM SEARLE:** Would you accept Government intervention that required retail companies to make offers that are readily comparable and would assist consumers?

**Mr MARAR:** If they had the effect of doing that then certainly. I do think that having an online database that shows the amount being offered by different retailers at different places will help do that.

**The Hon. ADAM SEARLE:** Except we have had evidence that many consumers do not have reliable internet access. There are a lot of disadvantaged and disconnected consumers who struggle—

**The CHAIR:** Telecommunication poverty.

**The Hon. ADAM SEARLE:** Yes, it is not a reliable format. We have also heard evidence of alleged discounts offered by electricity companies that are in fact price increases on what customers are currently paying. Surely there needs to be government intervention to curb the unsatisfactory market practices that are currently going on?

**Mr MARAR:** Yes, and I think that is a matter for consumer and competition law and trade practices rules on misleading and deceptive conduct. If those laws are not strong enough to capture the conduct mentioned, then they should absolutely be strengthened. We are not against government regulation; we are for regulation that achieves outcomes that favour the consumer. Regarding the telecommunication poverty, if the internet is not the best medium for reaching everyone, there are many alternatives such as radio and television. I envision a world where the energy price forecast will run on the radio as the weather forecast does. I think that will empower people to make the right decision, rather than waiting for someone from a non-government organisation to knock on the door and say, "Hey, this is how much you could be paying."

**The CHAIR:** Regarding the Paris agreement, would you suggest that there should be further negotiations beyond 2030 about the possibilities of nuclear power, given that technology and the way we deal with nuclear power are changing.

**Mr MARAR:** I think we should have those discussions with other countries a lot sooner. Given the amount of investment and time it takes for people to develop these technologies and ideas—whether it is a government or private entity doing it—we need to speed up the process. It takes a long time and the longer we wait the more the world is passing us by. We have to develop the regulations that make it viable enough that financing is available. Anything we can do to speed up the process is a good thing.

**The CHAIR:** Do you have any further comments?

**Mr MARAR:** I am happy to rest on the written submission.

**The CHAIR:** Thank you very much.

**The Hon. ADAM SEARLE:** I have one last question. Do you really have 50,000 members?

**Mr MARAR:** Yes, more than 50,000.

**The CHAIR:** Are they Facebook friends?

**Mr MARAR:** No, they are paid-up members.

**The Hon. BEN FRANKLIN:** That is fantastic. Good on you.

**Mr MARAR:** Thank you.

**The CHAIR:** There are no further questions so that concludes your evidence. Thank you very much. It is a comprehensive submission and we have asked some robust questions and we appreciate your answers. You have 21 days in which to answer any questions you may have taken on notice or there may be further questions in light of your evidence. The secretariat will assist you with that if need be. We appreciate your evidence. Thank you very much.

**Mr MARAR:** I will provide the answers on notice. Thank you for the opportunity.

**(The witnesses withdrew)**

**The Committee adjourned at 16:07.**