



ENERGY & WATER
OMBUDSMAN SA

GPO Box 2947
Adelaide SA 5001

T 1800 665 565
F 1800 665 165

ABN 11 089 791 604

ewosa.com.au

Mr James Simmonds
Senior Policy Officer
Department for Energy and Mining
GPO Box 320
Adelaide SA 5001

By email DEMenergytransition@sa.gov.au

9 August 2023

Dear Mr Simmonds,

**Submission to the Department for Energy and Mining (DEM) –
Green Paper on South Australia’s Energy Transition**

The Energy and Water Ombudsman (SA) Limited (EWOSA) welcomes the opportunity to submit on the Department for Energy and Mining’s Green Paper.

EWOSA is the independent energy and water ombudsman scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

The energy transition is already underway and provides many opportunities and poses many challenges. With energy prices rising and likely to remain high for some time, energy is also at the forefront of people’s minds. So now is an ideal time to consider the energy transition in the broadest possible way. EWOSA supports the South Australian Government in releasing this Green Paper and in developing the subsequent White Paper.

This submission is split into two parts. First, it provides some general comments on the energy transition and the Green Paper. Second, it discusses the energy transition in the context of the important consumer protection of free, fair and independent external dispute resolution through EWOSA, particularly considering technological development and the introduction of new energy products and services. Effective external dispute resolution is vital for maintaining consumer trust in energy services.

General Comments

A successful energy transition would ensure a strong modern economy in South Australia with net-zero greenhouse gas emissions, well-functioning energy systems with low-cost renewable electricity and renewable gas and engaged consumers, as well as support for low-income and vulnerable households. Many of the challenges are related to technology, such as ensuring a stable and reliable electricity supply as the system shifts from traditional, synchronous generation technologies to renewable technologies and storage and ensuring all consumers can either access consumer energy resources – such as rooftop solar PV, storage batteries and electric vehicles – other new energy products and services or can benefit from them through their appropriate management by third parties.

It is essential that consumers continue to receive important protections in the energy laws and regulations and that the introduction of new energy products and services do not lead to gaps in consumer protections.

It is important to note that the energy transition will involve some costs, particularly investment in renewable energy generation, storage, network infrastructure and consumer energy resources and that most costs will ultimately be passed on to consumers. Given that energy is an essential service and low-income households spend a higher percentage of their income on electricity and gas than other households, low-income households are likely to be disproportionately affected by the energy transition. They will therefore require ongoing support through energy concessions and rebates, as well as initiatives such as the Retailer Energy Productivity Scheme.

Reflecting this, EWOSA believes that support for low-income households and other vulnerable customers should be an integral part of the energy transition. Indeed, the consideration of energy consumers should be a key driver of how the energy transition is managed and proceeds. This includes electricity and gas prices and affordability, information provision and education and the ability for consumers to engage in the energy market, particularly through consumer energy resources, in addition to customer protections provided through energy laws and regulations.

A poorly managed and implemented energy transition would lead to high costs, particularly if the investments required in renewable energy generation and storage do not keep pace with the closure of coal and gas fired electricity generation, leading to electricity shortfalls and higher prices. Residential electrification done poorly could also lead to a double whammy in terms of rising energy costs. This could occur with the smaller number of consumers still using gas paying higher prices for the maintenance of gas networks and electricity consumers paying more for electricity, if higher levels of investment in electricity networks are required due to rising demand, such as for heating in winter, than would otherwise have been the case.

Given some of the risks associated with residential electrification, including potentially higher prices for both electricity and gas, EWOSA supports the focus on renewable hydrogen, including the Hydrogen Jobs Plan, the upcoming *Hydrogen and Renewable Energy Act* and some of the initiatives taking place, such as the Hydrogen Park SA Project. Further work is required on developing new and upgraded household gas appliances that would be able to operate with 100% renewable hydrogen. More consideration could also be given to further development of other renewable gases, such as biomethane and synthetic methane. This may reduce the need to electrify households in the long term. Terminology in the national energy laws was recently amended to account for these gases, as well as hydrogen.

EWOSA supports the work that has already been done and is in the pipeline for improving energy efficiency and reducing greenhouse gas emissions in the built environment, particularly residential buildings, as well as in household appliances. This will also reduce costs for consumers.

The Green Paper mentions smart meters, but not in much detail. Smart meters are expected to play a key role in the energy transition, including enabling consumers to understand and manage their electricity use and engage further in the energy market, providing operators of Virtual Power Plants and other aggregators with the ability to manage consumer energy resources, reduce electricity costs for consumers and in modernising tariff structures. The Australian Energy Market Commission (AEMC) has recommended a 100% uptake of smart meters by 2030 and a smooth process will be needed to achieve this. EWOSA believes that the State Government should more explicitly consider the issue of smart meters in the energy transition and in the upcoming White Paper.

The Green Paper makes limited comment on transmission and distribution issues. However, investment in transmission and distribution infrastructure (including sub-transmission lines and zone sub-stations) will be essential to link the electricity produced by regional and remote renewable energy resources to customers and help drive the shift to net-zero greenhouse gas emissions. There are also concerns among some communities about having transmission lines passing near them and this will need to be taken into account in planning processes. The AEMC is doing work on social licence for transmission investment. EWOSA believes that the State Government should more explicitly consider network issues in the energy transition.

EWOSA acknowledges that for some of the issues involved in the energy transition, such as network infrastructure investment and smart meters, it will often be the AEMC making the rules and the Australian Energy Regulator (AER) enforcing them, as well as developing guidelines and other advice to energy providers. As a result, the South Australian Government may have limited ability to control some aspects of the energy transition. That said, the DEM has provided submissions to AEMC rule change processes and the AER in the past and EWOSA supports the DEM to continue doing so. We also support South Australian Energy Ministers to submit rule change requests to the AEMC, as has also been done in the past, where and when appropriate.

External Dispute Resolution and the Energy Transition

With the energy transition underway, new energy products and services have entered the market and continue to enter the market at pace. These include rooftop solar PV, storage batteries, smart meters, electric vehicles, microgrids and Virtual Power Plants. The emergence of these technologies and business models has changed the traditional supply agreement between retailer and consumer and has resulted in some barriers to some consumers of these new products and services in accessing some protections provided in the energy laws and regulations. Importantly for EWOSA, as well as the customers themselves, this includes access to the free, fair and independent external dispute resolution services provided by the Energy Ombudsman.

There are two main ways in which consumers utilising these products and services that have a dispute with their provider encounter difficulties with having complaints resolved:

- First, when these products and services are provided by a Member of EWOSA, EWOSA is able to deal with the part of the complaint that is directly related to the supply of electricity, such as if a high electricity bill has resulted from a fault with rooftop solar PV. However, the part of the complaint that relates to the problem with the installation of, or fault with, rooftop solar PV or a storage battery cannot be resolved by EWOSA and referring the customer to another body, such as Consumer and Business Services or the Officer of the Technical Regulator, is necessary.
- Second, when these products and services are provided by energy or other entities that are not Members of EWOSA, referrals to other bodies are again required.

In light of the difficulties in resolving some of these complaints, EWOSA, in conjunction with other Energy Ombudsman in Australia (New South Wales, Queensland and Victoria), have initiated a joint project to ensure that all consumers have access to external dispute resolution for complaints related to these new products and services. This work has included:

- Commissioning independent research on consumer access to external dispute resolution services.
- Internal analysis of complaints data.
- Providing submissions to the AEMC, the AER, the Essential Services Commission of South Australia and other consultations (such as this Green Paper) regarding new energy products and services and their implications for customer protections.
- Stakeholder engagement, including Ombudsman Members, energy market bodies, State Governments and their relevant departments and industry associations.

A particularly important aspect of this work is to identify entities that need to be brought within the energy regulation framework and become Members of Energy Ombudsman. A fairly recent example (January 2019) of this was embedded networks and providing consumers located within them with a greater range of customer protections through changes to AER guidelines, including external dispute resolution.

It should be noted that Energy Ombudsman do not believe that all energy issues should fall within their jurisdiction. This is particularly the case with the installation of the new products and physical faults that might subsequently occur. Resolving these complaints would require a significant increase in resources and training. Other external dispute mechanisms may also need to evolve with the energy transition, including those responsible for compliance with the Australian Consumer Law and safety standards.

Indeed, the joint project has established ten key principles which underpin the effectiveness of an Energy Ombudsman. These are:

- Consumer protections, including dispute resolution, are provided where a product or service has the potential to disrupt energy supply.
- External dispute resolution is a baseline consumer protection. It supports innovation and contributes to creating consumer trust and confidence in the market.
- If the product or service is with an existing Member, it is within Ombudsman jurisdiction unless the Ombudsman advises otherwise.
- Where a contractual obligation is underpinned as part of a supply contract with a provider, where there is a dispute about the contractual terms and conditions, it should be subject to Ombudsman oversight.
- Membership of the dispute resolution scheme is underpinned by statutory enforceability.
- Any imposed new jurisdiction for a dispute resolution scheme needs to be supported by appropriate legislation or enforceable rules that will allow the Ombudsman to properly address the complaint and, if necessary, determine the outcome of the complaint.
- The proposed members must belong to a defined group which is legally accountable to a Regulator.
- The Regulator must be able to readily identify all proposed members.
- The Government/Regulator/Authority imposing a dispute resolution scheme membership requirement must be able to specifically identify individuals and businesses and have a range of powers such as licensing, performance monitoring, compliance and enforcement.
- The Regulator must be willing to ensure compliance of the requirement to become and remain a member and remediation of any systemic issues or be in a position to take enforcement action.

EWOSA considers that it is vital that all energy consumers have access to the protections provided for in the energy laws and regulations, including to the free, fair and independent external dispute resolution services provided by the Energy Ombudsman. Effective external dispute resolution is essential for maintaining consumer trust in energy services. This will be very important as the energy transition progresses and new energy products and services continue to enter the market.

Thank you for consideration of this submission. Should you require further information or have any enquiries regarding this submission, please contact me at antony.clarke@ewosa.com.au or on (08) 8216 1861.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A Clarke', written in a cursive style.

Antony Clarke
Policy and Governance Lead