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Victorian user - capture contracts set cost of retailer-change, above savings from switch to new contract

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The Essential Services Commission (ESC) of Victoria analysis suggested a Victorian small energy consumer wanted to change retailers before the end of a contract, those who used AGL, TXU, and EnergyAustralia might find themselves in costly trap; it might cost them more to move than they would gain in savings from the switch to a new retailer.

The average total energy bill was \$2150 a year (*see more details inside*). Most consumers will not switch for less than a 10 per cent reduction. So where the termination fee sits higher than the gain, a consumer ends up "trapped" with a retailer; and this may subvert the intent of competition.

Vic retailers trap customers?: Victorian energy retailers charged between zero and \$260 in early termination fees (ETFs) on energy contracts compared to a range of \$25 to \$125 in NSW, the Essential Services Commission (ESC) of Victoria said in its issues paper "Early termination fees compliance review".

The summary provided by the ESC on the ETFs of Victorian retailers showed:

- Origin Energy and Red Energy had no ETFs for residential or small business customers.
- Fixed fees with no difference on year of cancellation varied from \$22 for Country Energy for residential customers and \$55 for small business customers, to \$48 by Powerdirect for residential customers and \$99 for small business customers to \$75 by AGL for both customer groups.
- TXU charged \$90 (first year), \$70 (second year) and \$50 (third year) for residential

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Find out more at the subscriber section of www.erisk.net

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week in brief

QUEENSLAND

Churn in large Qld contracts:

Transfers of large non-wholesale electricity customers in Queensland rose by a record 345 in July, up 290 (527.3 per cent) on the rise of 55 in June, the National Electricity Market Management Company (NEMMCO) transfer statistical data shows.

Electric hot water ban Qld:

Environment Minister Desley Boyle yesterday confirmed new house plans approved from March 1 next year would have to include dual-flush toilets, water-efficient shower roses, water pressure-limiting devices and energy-efficient lighting. The Government also has decided to ban standard electric hot water systems which continuously heat water in new homes, in favour of solar, gas or electric heat pump systems which use significantly less energy. Units, townhouses and bathroom renovations will also have to install the shower roses and dual-flush toilets, but existing homes will not have to comply with the measures.

NEW SOUTH WALES RETAIL

Small NSW users switch: July's total of 16,108 transfers was the third highest monthly total – behind the 17,634 in October 2004 and the 16,662 in November 2004. It was the highest total for 2005 to date, eclipsing the 13,869 in February. Vic Govt acts to develop response policies to surging summer electricity demand

VICTORIA DEMAND SIDE

DSM policy plans for Victoria:

Policy responses to summer demand growth to take effect from summer 2005/06. Website <http://www.greenhouse.vic.gov.au>

Victoria interval metering: The phase-in of interval meters, being managed through the Essential Services Commission (ESC), in 2006 had the potential to lead to significant innovations in demand management

Vic homes spend \$1,300: On average, Victorian households spend about \$1,300 per year on energy use in the home. A major communications campaign will be conducted in 2005 to raise awareness of climate change and

highlight simple actions that can be taken by all Victorians to reduce greenhouse gas emissions.

Vic building DSM: The Victorian Government was committed to the introduction of mandatory standards relating to energy efficiency for new commercial buildings. The new standards are scheduled for inclusion in the Building Code of Australia by May 2006.

Hot water in Vic households: A solar hot water system can reduce consumption by around three-quarters. From 1 July, 2005, all new homes were required to install either a solar hot water system or a rainwater tank.

Mel families 8000kWh a year: A family in a typical Melbourne suburb using natural gas for heating, hot water and cooking might use about 8000 kilowatt hours a year (kWh) of peak electricity and around 40 gigajoules of gas a year, said the Australian Consumers' Association "Choice" magazine on Energy retail offers, May 2005.

VICTORIA RETAIL

Vic transfers near 1 million: The 44,592 transfers in July took total small electricity customer transfers in Victoria to 962,230, 37,770 short of the million mark. Transfers in April, May, June and July all exceeded 37,770.

Surge in large customer moves:

Transfers of large customers at 478 in July were up 396 (482.0 per cent) on the 82 in June, but down 198 (29.3 per cent) on the 676 in July 2004. At the end of July transfers of large customers totalled 17,317.

VICTORIA RETAIL TARIFFS

Fees questioned: The Essential Services Commission (ESC) of Victoria said in its issues paper "Early termination fees compliance review" the ETF must be specified as either a specific amount or a simple basis for calculating it.

Vic retailers name seven costs: Energy retailers identified seven cost areas they considered relevant to setting early termination fees (ETFs) on market contracts, the Essential Services Commission (ESC) of Victoria

said in its issues paper "Early termination fees compliance review".

Hedge mismatch risks: Most retailers considered wholesale energy costs to be relevant. For example, one stated that "the retailer is more exposed to commodity losses where customers churn out of plans early". Another suggested this cost was an increase in "wholesale cost risk", e.g. due to hedge mismatch.

What Vic energy retailers actually charge: The ESC says Victorian energy retailers charged between zero and \$260 in early termination fees (ETFs) on energy contracts compared to a range of \$25 to \$125 in NSW.

ETFs by main Vic retailers: Vic early termination fees vary from nothing to \$260.

Energy retailers fluffy data: Most Victorian energy retailers had not provided quantified information on the damage arising from early termination of market contracts, the Essential Services Commission (ESC) of Victoria said in its issues paper.

Variable ETF proposed: The ESC said only a few energy

retailers had an early termination fee (ETF) that varied with the stage in the contract term at which it was terminated.

Real cost of customer loss: ESC said the first and more direct notion of the damage to the retailer was the forgone expected net margin over the remaining term of the contract, plus any additional costs arising solely as a result of early contract termination.

Fundamental unfair, hints ESC: There was little evidence that markets, "even when fully competitive, can be relied upon to deliver an appropriate balance between fundamental consumer rights, terms or conditions and other price/service benefits".

Submissions wanted: Submissions were sought from retailers, interested parties and the public by 26 August 2005 and should be sent to Ms Wendy Heath, regulatory program manager, Essential Services Commission, Level 2/35 Spring Street, Melbourne. Vic. 3000. Phone: (03) 9651 0214. Fax: (03) 9651 3688. E-mail: wendy.heath@esc.vic.gov.au

SOUTH AUSTRALIA RETAIL

Origin, TRU, EA, Powerdirect: Most business went to Origin, TRU, Energy Australia and Powerdirect. Two other start-ups, Red Energy and Momentum Energy, have been in the market less than a year. Momentum, a had several thousand customers, according to chief executive Camillo D'Alessandro. Red, now owned by Snowy Hydro, would not give customer figures but said its staff had grown from 40 to 180 in a year.

SA must manage peak demand: ETSA's new chief executive Lew Owens on 5 August has promised to try to drive down electricity prices for South Australians " we have all this generating plant sitting there for 95 per cent of the year not needed, but we pay for it for those few days when we do'

All talk, no do: "The great challenge in SA to bring costs down is to manage that peak demand. It has been talked about for 20 or 30 years, but it has never been done."

WESTERN AUSTRALIA RULES

West Australia tariff rules: The |NCC seeks submission on draft

decision to extend WA electricity access regime for another 15 years All submissions should be addressed to: John Feil, executive director, National Competition Council. GPO Box 250B, Melbourne. Vic. 3001. Fax: (03) 9285 7477 Email: info@ncc.gov.au Reference: Draft recommendation of National Competition Council (NCC) on application to certify West Australian access regime for electricity services. August 2005. Address: Level 9, 128 Exhibition Street, Melbourne. Vic. 3000. GPO Box 250B, Melbourne Vic. 3001. Phone: (03) 9285 7474. Fax: (03) 9285 7477. <http://www.ncc.gov.au>

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customers and \$150 (first year), \$100 (second year) and \$50 (third year) for small business customers. Energy Australia charged \$125 (first year), \$50 (second year) and \$25 (third year) for both residential and small business customers for single fuel market contracts, and \$250 (first year), \$100 (second year) and \$50 (third year) for dual fuel market contracts for both customer groups.

Timetable for review: The following timetable had been established for the review:

- closing date for submissions on issues paper: 26 August 2005;
- release of draft report: End September 2005;
- final date for comments on draft report: about four weeks after release of the draft report; and
- final report: December 2005.

Reference: Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. Address: 2nd floor, 35 Spring Street, Melbourne. Vic. 3000. Phone (03) 9651 0222. Fax: (03) 9651 3688. <http://www.esc.vic.gov.au> Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. Address: 2nd floor, 35 Spring Street, Melbourne. Vic. 3000. Phone (03) 9651 0222. Fax: (03) 9651 3688. <http://www.esc.vic.gov.au>

New SA retailer funded by NZ Govt Telecoms corporation

A new South Australia Electricity Retail Licence Application, and staffed by New Zealanders linked to the NZ Commerce Commission and M-Co, applied on Wednesday, 10th August 2005 under the name Momentum Energy Pty Ltd (ACN 100 569 159) for the issue of a licence to retail electricity to customers in South Australia. The backer appears to be TMT Ventures. Telecom New Zealand is also connected the fund. TMT Ventures is also the name of the Pakistan Export Board software company, funded by the Pak Kuwait Investment Company. Momentum Energy holds an electricity retail licence in Victoria. The prospectus is published and available on the New Zealand Companies Office web site (located under the register search facility). Approximately \$4.0 million was raised to fund the commencement of operations and the building of the company infrastructure.

Contract: The contact person is Patrick Harnett who has acted, and who's name still appears a representative of various NZ market committees. The chair of Momentum Energy Pty, Bryan William Mogridge, is also appear as chair of an AMP investment group.

Momentum Energy Pty Limited, PO Box 353 Flinders Lane, Victoria 8009. Telephone: 1300 662 778 or 03 8612 6480. Facsimile: 03 9620 1228. E-mail: Patrick@momentumenergy.com.au <http://www.tmtventures.net/index.asp>

Retailers in South Australia

AGL South Australia Pty Limited (electricity and gas) website: www.agl.com.au Telephone: 131 245. E-mail: customer.service@agl.com.au

Aurora Energy Pty Ltd (electricity only).

Country Energy (electricity only) Website: www.countryenergy.com.au Telephone: 132 356. E-mail: info@countryenergy.com.au

Energy Australia (electricity and gas), Customer Enquiry Line: 138 808 Website: www.energy.com.au

Energex Retail Pty Ltd (electricity only) Website: www.energex.com.au

International Power (Retail) Pty Ltd (electricity only).

NRG Flinders (electricity only) Website: www.nrgflinders.com.au

Origin Energy (electricity and gas) Website: www.originenergy.com.au Telephone: 132 463.

Powerdirect Pty Ltd (electricity only) Customer Enquiry Line: 1300 307 966 Website: www.powerdirect.com.au

TRU (electricity and gas) Website: www.txu.com.au Telephone: 133 466

Yallourn Energy Pty Ltd (trading as AusPower) (electricity only) Website: www.auspower.net

Nine retailers detail Vic “early termination” fees, varying from nothing, to \$260

Early termination fees (ETFs) for energy market offers varied from nothing to \$260 in the first year of operation, the Essential Services Commission (ESC) of Victoria said in its issues paper "Early termination fees compliance review"

Nine retailers provide details: The ESC provided a table of ETFs based on information provided by the three local energy retailers - AGL, Origin Energy and TRUenergy (previously TXU) - and six non-local retailers: Country Energy, EnergyAustralia, Momentum Energy, Powerdirect, Red Energy, and Victoria Electricity.

Table of termination fees: The ESC produced the following table summarising the energy retailer ETFs:

Retailer	Residential customers	Small business customers
AGL	\$75	\$75
Momentum Energy	double customer's average monthly bill**	double customer's average monthly bill*
Country Energy	\$22	\$55
Victoria Electricity	\$0	\$25 plus 1 average monthly bill
Victoria Electricity (dual fuel)	\$49**	\$49**
Powerdirect	\$48	\$99
EnergyAustralia	\$125 (1st year), \$50 (2nd year), \$25 (3rd year)	\$125 (1st year), \$50 (2nd year), \$25 (3rd year)
EnergyAustralia (dual fuel)	\$250 (1st year), \$100 (2nd year), \$50 (3rd year)	\$250 (1st year), \$100 (2nd year), \$50 (3rd year);
Red Energy	\$0	\$0
Origin Energy	\$0	\$0
TXU	\$90 (1st year), \$70 (2nd year), \$50 (3rd year)	\$150 (1st year), \$100 (2nd year), \$50 (3rd year)

* The ESC estimated average monthly bills would be \$130 for electricity and \$45 for natural gas.
 ** Only applies if VE could match the alternative offer.

\$260 based on average monthly Vic bill: Using the ESC estimate of average monthly bills, early termination of an electricity market contract with Momentum Energy would be \$260. At present Momentum Energy supplies only electricity, but its website said it hoped to supply natural gas "in the near future".

Reference: Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. Address: 2nd floor, 35 Spring Street, Melbourne. Vic. 3000. Phone (03) 9651 0222. Fax: (03) 9651 3688. http://www.esc.vic.gov.au

Do AGL, TXU, fudge data on termination of contracts?

Most Victorian energy retailers had not provided quantified information on the damage arising from early termination of market contracts, the Essential Services Commission (ESC) of Victoria said in its issues paper "Early termination fees compliance review".

Method of calculation not explained: But the ESC said those that did had not explained the method of calculation in sufficient detail to enable it to rely on those estimates to develop a considered view of the costs of early contract termination.

ETFs claimed less than damage caused: However, several retailers have claimed that their early termination fees (ETFs) were less than the damage caused.

Explanation for flat fee: One retailer stated that, when setting its early termination fee, it "takes into account the disincentive such a fee provides to customers wishing to enter into long-term contracts and the administrative complexity with setting different levels of termination fees for different terms of contracts and fuels. As a result, AGL has established a flat fee towards the lower end of the range of possibilities".

"Significant losses" shown: Another retailer indicated it had recently reassessed the costs of early termination, and had concluded that it "has encountered significant losses in this sector. For that reason the position is currently being finalised internally to move to a flat \$80 early termination fee which by analysis will still not cover all year 1 costs".

Reference: Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. Address: 2nd floor, 35 Spring Street, Melbourne. Vic. 3000. Phone (03) 9651 0222. Fax: (03) 9651 3688. http://www.esc.vic.gov.au

What does it cost a retailer when customer moves to another energy supplier?

Two different ways could be used to consider the damage to energy retailers from early termination of a market contract, the Essential Services Commission (ESC) of Victoria said in an issues paper.

Most direct way: In its paper on "Early termination fees compliance review", the ESC said the first and more direct notion of the damage to the retailer was the forgone expected net margin over the remaining term of the contract, plus any additional costs arising solely as a result of early contract termination.

How to determine net margin: The expected net margin was:

- the expected revenue over the remaining term (given the estimated amount of electricity/gas required by the customer over that period, and the prices and bonuses in the contract);
- less the expected variable costs of supplying the consumer over that period (including the wholesale cost of energy, network and market charges, and variable customer costs such as meter reading, billing, account collection and customer enquiries).

Fixed costs cannot be counted: Fixed costs had already been incurred, and in this approach could not be a cost associated with early termination.

Second approach looks at termination costs: The ESC said the second approach looked only at the costs to the retailer associated with early termination. In particular, it took account of the unavoidable or fixed costs incurred in supplying the customer, to the extent that these could not now be fully recovered (i.e. with early contract termination).

Unamortised component: This would be the unamortised component of these fixed costs. In addition there were any additional costs arising solely as a result of early contract termination.

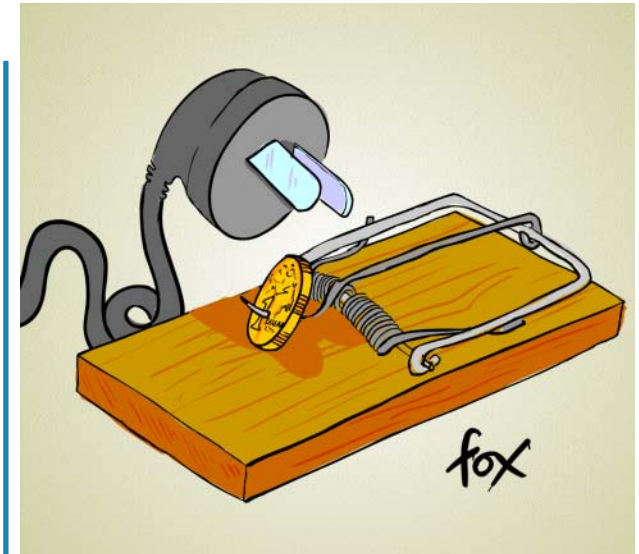
Connections between approaches: These two approaches were connected by the notion that in an effectively competitive market, expected net margins would be competed down to levels where they were sufficient to recover the fixed costs over the term of the contract - but might not provide for a substantial amount of additional profit.

Similarities in approaches: In this case the second approach was similar in effect to the first. Hence the damage to the retailer could also be approximated by the unamortised fixed costs at the time of early contract termination, together with additional costs arising due to early contract termination (if there were any).

Reference: Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. Phone (03) 9651 0222. Fax: (03) 9651 3688. <http://www.esc.vic.gov.au>

How to make submissions on review of early termination fees charged by energy retailers in Victoria

The Essential Services Commission (ESC) of Victoria is seeking submissions on its issues paper "Early termination fees compliance review".



Requirement of licence: The ESC said each local gas and electricity retailer – AGL, Origin and TXU - was required under its licence to appoint an independent auditor to conduct audits of:

- its compliance with obligations under its licence, and codes and guidelines, published by the ESC; and
- the reliability and quality of information it reports to the ESC.

Obligation to conduct audits: The ESC said it had decided in its current review of electricity licences to include in the licences of non-local retailers an obligation to conduct audits identical to that in the licences of local retailers.

Early termination fee common: It said the Energy Retail Code allowed retailers to impose

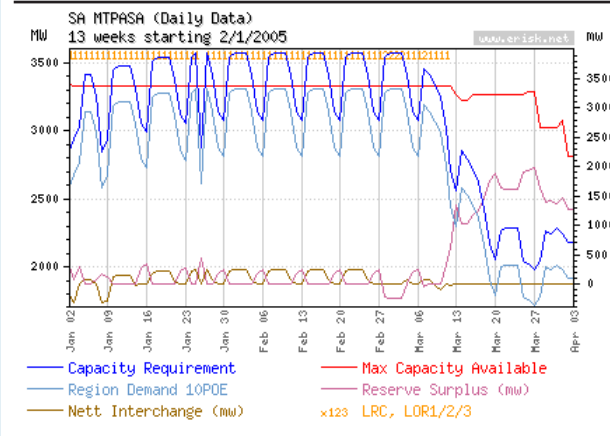
an early termination fee if a customer terminated a market contract before the completion of its term. In any market it was common in contracts for companies to provide for a pre-estimated liquidated sum to be charged in the event of early termination by a customer.

But Code requires it must be fair: The Energy Retail Code contained an additional requirement that the early termination fee must be a "fair and reasonable pre-estimate of the damage the retailer will incur" as a result of the termination.

Investigation timely: The ESC said it had a statutory role to monitor the compliance of energy retailers with the customer-related standards established in legislation and in the Energy Retail Code. Given this context and role, the ESC considered it was appropriate and timely to investigate the extent of compliance of retailers with the requirements of the Code in relation to early termination fees.

Submission deadline of 26 August: The issues paper identified the matters on which the ESC sought to inform itself in undertaking the review. Submissions were sought from retailers, interested parties and the public by 26 August 2005 and should be sent to Wendy Heath, regulatory program manager, Essential Services Commission, Level 2/35 Spring Street, Melbourne. Vic. 3000. Phone: (03) 9651 0214. Fax: (03) 9651 3688. E-mail: wendy.heath@esc.vic.gov.au

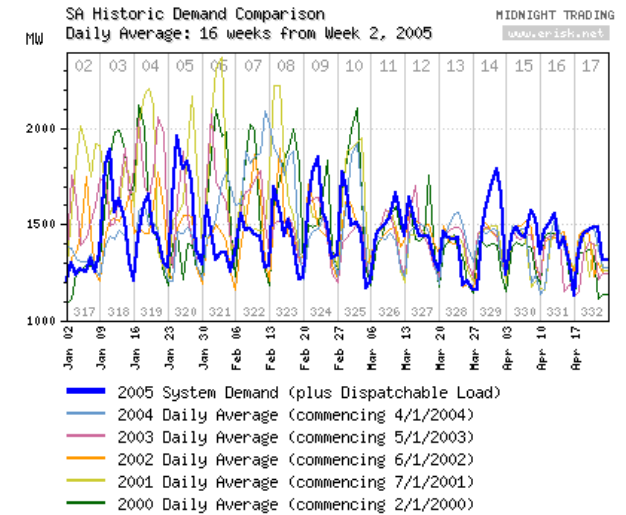
Reference: Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. Address: 2nd floor, 35 Spring Street, Melbourne. Vic. 3000. Phone (03) 9651 0222. Fax: (03) 9651 3688. http://www.esc.vic.gov.au



SA must manage peak demand, says ETSA's new chief

ETSA's new chief executive Lew Owens on 5 August has promised to try to drive down electricity prices for South Australians, notes *The Advertiser* (6/8/2005, p. 7). The state's former energy regulator said he was determined to find efficiency and productivity gains that would enable savings to be passed on to consumers.

Peakier demand: "The reason our electricity is so expensive is because of our demand problem in January, February and March - we have the peakier demand in the world," Owens says.



Costs more: "That means that we have all this generating plant sitting there for 95 per cent of the year not needed, but we pay for it for those few days when we do."

To manage that peak demand: "The great challenge in SA to bring costs down is to manage that peak demand. It has been talked about for 20 or 30 years, but it has never been done."

SA retail competition: most new retail business went to Origin, TRU, EnergyAustralia and Powerdirect: 33pc change

South Australians took to retail competition even quicker than Victorians, with 33 per cent of power

users changing suppliers in two years, according to *The Age* (6/8/2005, p. 2).

Too many players? Most business went to Origin, TRU, Energy Australia and Powerdirect. Two other start-ups, Red Energy and Momentum Energy, have been in the market less than a year. Momentum, a privately owned company, has several thousand customers, according to chief executive Camillo D'Alessandro. Red, now owned by Snowy Hydro, would not give customer figures but said its staff had grown from 40 to 180 in a year. "It's a tough market with razor-thin margins," said D'Alessandro. "I think there are already too many players."

Vic Govt acts to develop response policies to surging summer electricity demand

While Victoria's average electricity consumption is growing at approximately 1.9 per cent a year, the summer peak growing at a rate of 2.8 per cent per annum, due mainly to increasing use of air-conditioners.

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Policy response by this summer: As part of the Victorian Energy Efficiency Strategy (to be released in the second half of 2005) the government will convene a forum of key stakeholders to analyse the growing distortion and develop an understanding of the policy options and economic, social and

environmental challenges involved. The aim of this process will be to introduce policy responses to summer demand growth to take effect from summer 2005/06.

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment, Melbourne, April 2005. Website <http://www.greenhouse.vic.gov.au> ISBN1 74152 109 2, for more information contact the DSE Customer Service Centre ph: 136 186

Victorian Govt Greenhouse Strategy Action Update predicts burst of innovation when interval metering starts

The introduction of interval meters in Victoria will commence in 2006 for customers who require a new or replacement meter, according to the *Victorian Government Greenhouse Strategy Action Update*. Interval meters record consumption of power at the time of day it occurs, whereas existing conventional electricity meters are, typically, read infrequently (e.g. quarterly) and do not convey timely information to consumers regarding their levels and patterns of electricity consumption.

Significant innovations: The phase-in of interval meters, being managed through the Essential Services Commission (ESC), has the potential to lead to significant innovations in demand management over time, including:

- enabling consumers to better understand and manage electricity demand;
- allowing electricity retailers to offer prices that reflect variations in the cost of supplying electricity at different times of the day; and
- facilitating the introduction of new technologies such as two-way communication, remote meter reading and automated usage control options - innovations, not possible with conventional meters, which will promote improvements in electricity supply and demand management.

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment. Phone: 136 186. <http://www.greenhouse.vic.gov.au> <http://www.esc.vic.gov.au>

WA price-control plan: NCC seeks submission on WA electricity access regime for another 15 years period

The National Competition Council (NCC) is seeking the views of interested parties on its draft decision that the West Australian access regime for electricity services should be extended for another 15 years.

Application in July: The draft recommendation followed an application in

July 2005 by the Western Australia Government that the NCC recommend the state's access regime was an effective regime under the *Trade Practices Act 1974*.

Deadline of 22 August: The closing date for submissions is Monday 22 August. The NCC said there was no specified format for submissions, which could deal with all issues or be confined to one or two matters.

Facts needed to back up claims on issues: However, all claims on particular issues should be supported with factual information wherever possible.

Electronic copy preferred: The NCC would appreciate receiving at least one copy of the submission in electronic form, preferably in rich text format and sent by email.

All submissions should be addressed to: John Feil, executive director, National Competition Council. GPO Box 250B, Melbourne. Vic. 3001. Fax: (03) 9285 7477 Email: info@ncc.gov.au Reference: Draft recommendation of National Competition Council (NCC) on application to certify West Australian access regime for electricity services. August 2005. Phone: (03) 9285 7474. <http://www.ncc.gov.au>

9 Transfer of large Qld electricity customers up 345 in July to set record monthly increase

Transfers of large non-wholesale electricity customers in Queensland rose by a record 345 in July, up 290 (527.3 per cent) on the rise of 55 in June, the National

Electricity Market Management Company (NEMMCO) transfer statistical data shows.

53 more than previous monthly record: This was 53 (18.2 per cent) more than the previous monthly record in September 2003.

Total transfers now 4280: Total transfers of large customers at 31 July totalled 4280, compared to 3935 in June and 3002 in July 2004.

Must use more than 160MWh a year: In Queensland, large customers (those using 160 megawatt hours a year or more) can choose their retailers. Full retail contestability (FRC) does not apply in Queensland for domestic customers using less than 160MWh a year.

How transfers have moved: The follow table shows transfers for the five months to July 2005, with the December 2004 figures provided for comparison purposes.

Month	Transfers	Total transfers
31 December 2004	81	3422
31 January 2005	245	3667
28 February 2005	67	3734
31 March 2005	53	3787
30 April 2005	60	3847
31 May 2005	33	3880
30 June 2005	55	3935
31 July 2005	345	4280

Reference: National Electricity Market Management Company (NEMMCO) retail transfer statistical data for large Queensland customers for July 2005. 4 August. Phone: (03) 9648 8777. Fax: (03) 9648 8778. <http://www.nemmco.com.au>

Standard electric hot water systems banned in new Qld houses from March 2006

Standard electric hot water systems will be banned in new Queensland houses from March next year. But the State Government has stopped short of mandating rainwater tanks in all new houses as part of its long-awaited measures to reduce energy and water use. Environment Minister Desley Boyle yesterday confirmed new house plans approved from March 1 next year would have to include dual-flush toilets, water-efficient shower roses, water pressure-limiting devices and energy-efficient lighting.

Other measures: The government also has decided to ban standard electric hot water systems which continuously heat water in new homes, in favour of solar, gas or electric heat pump systems which use significantly less energy. Units, townhouses and bathroom renovations will also have to install the shower roses and dual-flush toilets, but existing homes will not have to comply with the measures.

July transfers of small NSW electricity customers up 16,108 to third highest total

NSW transferred 16,108 small electricity customers in July 2005, up 2309 (16.7 per cent) on the 13,799 transfers in

June 2005, according to the latest National Electricity Market Management Company (NEMMCO) transfer statistical data.

Highest by far in 2005: July's total of 16,108 transfers was the third highest monthly total – behind the 17,634 in October 2004 and the 16,662 in November 2004. It was the highest total for 2005 to date, eclipsing the 13,869 in February.

4470 more than July 2004: July's total was up 4470 (38.4 per cent) on the 11,638 transfers of small electricity customers in July 2004.

Total small transfers now 425,012: The July transfers of small customers brought the total transfers of small electricity customers to 425,012, compared to 408,904 at the end of June and 259,463 at the end of July 2004.

Huge jump in large customer transfers: Transfers of large customers soared in July, rising by 477 (745.3 per cent) to 541, compared with 64 in June. The start of a new financial year normally sees a rise in transfers of large customers.

But down on July 2004 total: The total number of large customers transferred at 31 July 2005 stood at 18,670. However, July's increase of 541 was 198 (26.8 per cent) fewer than the 739 in July 2004.

Total transfers at 443,682: The combined total of small and large customers in July rose by 16,649 (3.9 per cent) to 443,682 compared with 427,033 at the end of June.

How customers are classified: NEMMCO said the transfers represented the total for both

small and large national meter identifier (NMI) figures. A small NMI was classified as having less than 160MWh of consumption a year while a large NMI was a customer having more than 160MWh consumption a year.

Breakdown of transfers: The following table shows transfers of large and small customers in the first six months of 2005, with the December 2004 figures given for comparison purposes.

Time	Small Customers	Progressive	Large customers	Progressive	Total all customers
31 December 2004	14,501	331,113	91	17,432	348,545
31 January 2005	12,371	343,484	179	17,611	361,095
28 February 2005	13,869	357,353	55	17,666	375,019
31 March 2005	12,289	369,642	89	17,755	387,397
30 April 2005	11,863	381,505	91	17,846	399,351
31 May	13,600	395,105	219	18,065	413,170
30 June	13,799	408,904	64	18,129	427,033
31 July	16,108	425,012	541	18,670	443,682

Reference: National Electricity Market Management Company (NEMMCO) retail transfer statistical data for customers in NSW for July 2005. 4 August 2005. **Address:** Level 16, 461 Bourke Street, Melbourne. **Vic. 3000. Phone:** (03) 9648 8777. **Fax:** (03) 9648 8778. <http://www.nemmco.com.au>

Vic transfers of small electricity customers up 5299 (13.5pc) in July to record 44,592: NEMMCO figures

Victoria's transfers of small electricity customers rose 5299 (13.5 per cent) in July to a record 44,592MW according to the latest National Electricity Market Management Company (NEMMCO) transfer statistical data.

2283 more than previous record month: This was an increase of 2283 (5.4 per cent) on the previous record of 42,309 set in May. It was up 7219 (19.2 per cent) on the 37,573 transfers in July 2004.

Getting close to million mark: The 44,592 transfers in July took total small electricity customer transfers in Victoria to 962,230, 37,770 short of the million mark. Transfers in April, May, June and July all exceeded 37,770.

Surge in large customer transfers: Transfers of large customers at 478 in July were up 396 (482.0 per cent) on the 82 in June, but down 198 (29.3 per cent) on the 676 in July 2004. At the end of July, transfers of large customers totalled 17,317.

Combined total transfers now 979,547: The combined total of small and large customer transfers at the end of July 2005 was 979,547, up 45,070 on the June total of 934,477. This total seems certain to pass the million mark in August.

How customers are classified: NEMMCO said the transfers represented the total for both small and large national meter identifier (NMI) figures. A small NMI was classified as having less than 160MWh of consumption a year while a large NMI was a customer having more than 160MWh consumption a year.

Breakdown of transfers: The following table shows transfers of large and small customers in the six months to the end of June, with the December 2004 figures given for comparison purposes.

Time	Small Customers	Progressive	Large customers	Progressive	Total all customers
31 December 2004	36,565	698,939	122	15,739	714,678
31 January 2005	32,414	731,353	655	16,394	747,747
28 February 2005	33,855	765,208	112	16,506	781,714
31 March 2005	32,879	798,087	81	16,587	814,674
30 April 2005	37,949	836,036	78	16,665	852,701
31 May 2005	42,309	878,345	92	16,757	895,102
30 June 2005	39,293	917,638	82	16,839	934,477
31 July 2005	44,592	962,230	478	17,317	979,547

Reference: National Electricity Market Management Company (NEMMCO) retail transfer statistical data for customers in Victoria for July 2005. 4 August 2005. Address: Level 16, 461 Bourke Street, Melbourne. Vic. 3000. Phone: (03) 9648 8777. Fax: (03) 9648 8778. <http://www.nemmco.com.au>

Vic Govt aims to get 5pc of homes to buy Green Power with massive ad campaign

A major communications campaign for 2005 – aimed to raise awareness of climate change and highlight simple actions that can be taken by all Victorians to reduce greenhouse gas emissions – was on the agenda, according to the *Victorian Government Greenhouse Strategy Action Update*. This campaign will build on the Household Green Power campaign. The government was aiming to get 5 per cent of households to buy Green Power. In March 2005 the government launched a promotional campaign with energy retailers - "The Power of Every One".

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment, Phone: 136 186. <http://www.greenhouse.vic.gov.au> <http://www.greenpower.gov.au>

New Vic rules halve energy use for heating and cooling in new homes, and cut CO₂e 1.3 tonnes per household

Victoria was a leader in housing energy efficiency and was the first state to amend building regulations to require all new dwellings to achieve a minimum 5 Star energy efficiency rating, according to the *Victorian Government Greenhouse Strategy Action Update*. The regulations, which commenced operation in 2004 and will take full effect from July 2005, will halve the energy use for heating and cooling in new homes, resulting in significant energy savings and an annual reduction in greenhouse gas emissions of 1.3 tonnes per household.

Energy efficiency in home renovations: The Australian Building Codes Board has proposed a new national 5 Star energy efficiency standard for all new residential buildings and a Regulatory Impact Statement for the new standard is due to be released in the first half of 2005. The new standards are scheduled for inclusion in the Building Code of Australia in May 2006 and will be applied to state building regulations pertaining to renovations.

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment, Phone: 136 186. <http://www.greenhouse.vic.gov.au>

Coal-powered household energy use responsible for more than 20pc of Victoria's greenhouse gas emissions

The Victorian Government is to conduct a campaign to persuade householders to use electricity smarter. Household energy use is responsible for more than 20 per cent of Victoria's greenhouse gas emissions. Residential electricity consumption is growing at over 2 per cent each year and peak demand for electricity is growing even faster.

Vic's greenhouse problem: Per capita greenhouse gas emissions from household energy use are higher in Victoria than any other Australian state. There are several reasons for this:

- high demand for heating energy;
- widespread use of electric hot water systems;
- use of clothes dryers;
- increased use of air-conditioners; and
- the fact that most Victorian electricity is produced by burning brown coal, the most greenhouse gas intensive form of energy in Australia.

Savings can be made: On average, Victorian households spend about \$1,300 per year on energy use in the home. There are dozens of simple and easy changes that can save

households hundreds of dollars on their energy bills and reduce greenhouse gas emissions.

Simple actions can make a difference: A major communications campaign will be conducted in 2005 to raise awareness of climate change and highlight simple actions that can be taken by all Victorians to reduce greenhouse gas emissions. This campaign will build on the Household Green Power campaign.

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment, Melbourne, April 2005. Website <http://www.greenhouse.vic.gov.au> ISBN1 74152 109 2, for more information contact the DSE Customer Service Centre ph: 136 186

Vic committed to mandatory energy efficiency for new commercial buildings

The Victorian Government was committed to the introduction of mandatory standards relating to energy efficiency for new commercial buildings, according to the *Victorian Government Greenhouse Strategy Action Update*. Work on standards was underway as part of a national process through the Australian Building Codes Board.

Proposed standards released: The Board has released details of the proposed standards and a Regulatory Impact Statement is due to be released in the first half of 2005. The new standards are scheduled for inclusion in the

Building Code of Australia by May 2006. These standards will be incorporated in the Victorian Building Regulations, to apply to all new commercial buildings constructed in Victoria, from May 2006.

COBEI launched: The Commercial Office Building Energy Innovation Initiative (COBEI) was launched in 2003 to support projects involving new and existing office buildings that demonstrate innovative design and reduced energy use with a view to reducing greenhouse gas emissions. COBEI, which is a joint initiative of the Property Council of Australia and SEAV, will receive further funding of \$200,000 in 2005/06.

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment, Phone: 136 186. <http://www.greenhouse.vic.gov.au>

Hot water accounts for 25pc of average Victorian household energy-use: solar 75pc less

Hot water accounted for 25 per cent of an average Victorian household's energy use, according to the *Victorian Government Greenhouse Strategy Action Update*. A solar hot water system can reduce this consumption by around three-quarters.

Rebate program introduced: To help increase uptake of solar water heating, the government introduced a rebate program in July 2000. Rebates of up to \$1500 are available for the purchase of a new accredited solar water

heater when replacing an existing gas or solid fuel hot water system, or converting an existing hot water system to solar.

Alternative benefit from Commonwealth: For most other situations, such as replacing an electric hot water system or installing a solar hot water system in a new home, an alternative benefit is available through the Commonwealth Government's Mandatory Renewable Energy Target. As part of the Victorian Government's 5 star energy efficiency requirements (see above), from 1 July, 2005, all new homes will be required to install either a solar hot water system or a rainwater tank.

Reference: Victorian Government Greenhouse Strategy Action Update, published by the Victorian Government Department of Sustainability and Environment, Phone: 136 186. <http://www.greenhouse.vic.gov.au>

Av Melbourne family using 40GJ a year of natural gas and 8000kWh a year of electricity pays \$45 and \$130 a month

A family in a typical Melbourne suburb using natural gas for heating, hot water and cooking might use about 8000 kilowatt hours (KWh) a year (kWh) of peak electricity and around 40 gigajoules of gas a year, the Essential Services Commission (ESC) of Victoria said in its issues paper "Early termination fees compliance review".

Source of estimate: The ESC produced a box showing typical annual and monthly energy

bills sourced from the Australian Consumers' Association *Choice* magazine on Energy retail offers, May 2005.

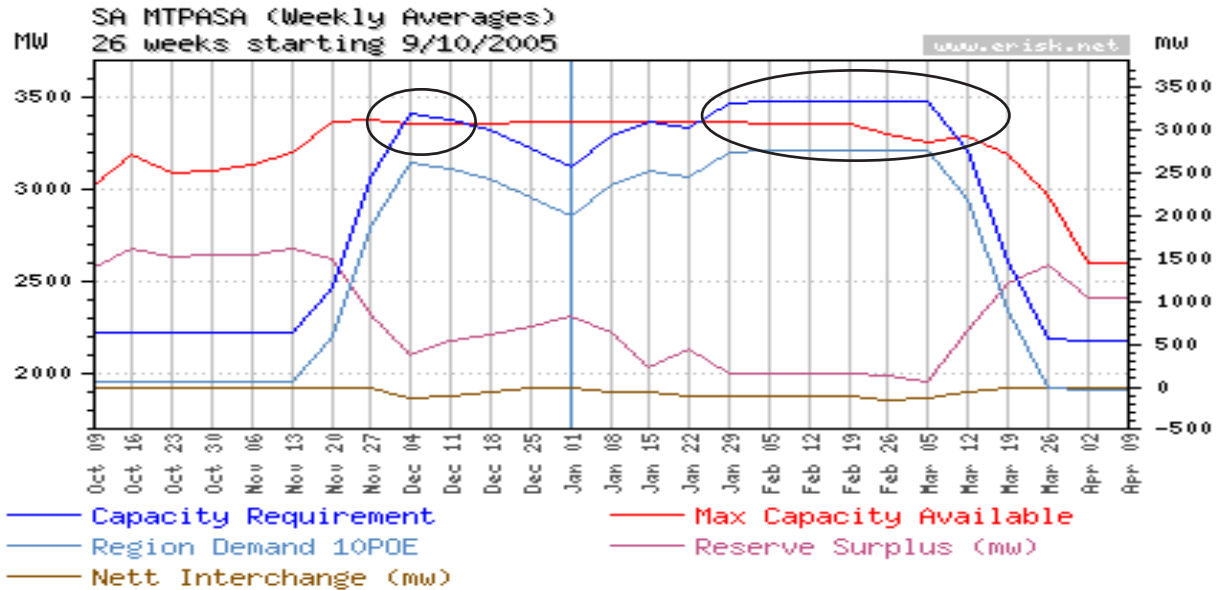
Total energy bill of \$2150 a year: This source said the annual energy cost on a standing offer tariff was estimated to be about \$1600 for electricity and \$550 for natural gas. This implied an average monthly bill for electricity for this customer of about \$130 and around \$45 for natural gas.

Wide variation in approaches: The ESC said the information supplied by retailers showed the approaches to structuring ETFs varied widely among energy retailers. It said this was consistent with a common and desirable feature of competitive markets – namely that there was a diversity of supplier strategies to meet a range of buyer preferences.

Complicated comparison: Any comparison between retailers was complicated by the diversity in the terms and conditions of contracts being offered. For example, some retailers offered one-year contracts, while others offered contracts with a minimum of three-years.

Most specify fee: Most retailers with an ETF specified the fee, rather than setting out a formula for calculating the fee. Exceptions included Momentum Energy, which bases its ETF on doubling of the customer's average monthly bill under the contract and Victoria Electricity, where the ETF for single-fuel small business users was calculated as \$25 plus one average monthly bill.

Reference: Issues paper on "Early termination fees compliance review" by Essential Services Commission (ESC) of Victoria. 2 August 2005. <http://www.esc.vic.gov.au>



High price and blackout risks in SA and NSW for summer

