



CONSUMER COUNCIL OF FIJI

A Submission to the

**Department of Energy/Ministry of Works,
Transport and Public Utilities**

***Review of the National Energy Policy (NEP) and
its Strategic Action Plan***

March 2013

1.0 Introduction

The Consumer Council of Fiji welcomes the Ministry of Works, Transport and Public Utilities and the Department of Energy's (DOE) very timely review of the National Energy Policy (NEP). The Council believes that the 2006 NEP is well over its use-by date and is in serious need for overhaul in light of emerging issues affecting the energy sector. The energy sector as a whole is often little understood by consumers due to the fact that as end users their perceptions and understanding are mostly limited to consumption and retail pricing issues. Consumer protection agencies like the Consumer Council of Fiji are expected to have an understanding beyond these so that as watchdogs we are constantly alert to policies, market changes and other dynamics of the whole energy sector. This understanding allows the Council to make an effective and meaningful representation of consumers' interests in the formation and implementing of policies in this sector. The Council's view of the 2006 NEP finds that very little attention is being paid to consumer or end-user protection against unfair practices in the energy sector particularly in electricity supply. We believe that this is a critical area that the reviewers include in the revised policy. The best analysts of an effective policy are the end-users or consumers and we propose that the revised policy must include strategies for protecting consumers and their rights in the energy sector. It is within this context that the Consumer Council is making its submission to the review process. While the submission reflects some of the pertinent issues affecting consumers, it is by no means exhaustive and we hope that the Council will be included in upcoming consultations on the review.

1.1 Role of Consumer Council of Fiji

The Council has statutory obligations under the Consumer Council of Fiji Act (Cap 235) to *“to do all such acts and things which it may consider necessary or expedient to ensure that the interests of consumers of goods and services are promoted and protected.”* The Council is also obliged to advise and make recommendations to the Minister responsible for consumer affairs in Fiji or any other Minister on issues affecting the interests of consumers. This work extends to providing advice and making submissions to regulatory agencies, policymaking bodies, private sector or industry groups and international agencies. The Council is a key stakeholder in the formulation of policies, legislations and standards in the country. As the Council is often in the frontline and first point of contact for consumer grievances, it has a strong mandate from consumers to express their viewpoints on issues affecting them.

1.2 Focus of submission

The Consumer Council understands the holistic approach to the review of the NEP; however we find it more relevant and appropriate to make this submission on the electricity sub-sector as a critical area for consumer protection. The Council believes that electricity supply is a priority area where there are gaps in the legal and institutional framework that need to be addressed. The submission may also refer to other areas of the energy sector wherever relevant.

2.0 ENERGY SECTOR (ELECTRICITY) AND CONSUMERS

The energy sector is very important to consumers and consumer protection agencies particularly electricity generation, access and consumption. Electricity is a basic or essential need that warrants appropriate policies that protect consumers from monopolistic service providers and unfair trade practices. Electricity supply is an absolute necessity in today's modern society where essential things such as lighting, refrigeration, cooking, communication, security and so forth rely on. Household energy (electricity) consumption has increased greatly in the past decade due to the increased availability and access to new and cheap electronic goods. Consumers in Fiji decades ago did not have the plethora of electrical gadgets common in today's homes. It must also be noted that there has been an equally large increase in the number of new equipment and machinery now used by businesses and industry. Electricity is a consumer essential that now constitutes a large proportion of the household budget in light of changing lifestyles and Fiji Electricity Authority's (FEA) tariff changes that began in 2010. Tariff changes and review of security deposits saw consumers paying double what they normally paid in monthly electricity bills. Apart from this, consumers in Fiji continue to live under the monopolistic power of the FEA and the outdated *Electricity Act*. The Consumer Council believes that any energy policy must address these end-user issues.

3.0 ELECTRICITY SUPPLY and TARIFFS

3.1 Electricity Tariffs

The Consumer Council submits that the NEP policy should seriously address electricity tariffs and put in place strategies that would help mitigate high tariff hikes. In June 2010, the Fiji Electricity Authority's Domestic Life-Line tariff cap dropped from 8.21KWh to 4.27KWh. This meant that consumers used to paying 20.59cents/KWh for consuming less than 8.21KWh per day have had to drop their daily average consumption by 48% to 4.21KWh. The reduced domestic tariff lifeline from 250kWh to 130kWh to 75kWh has forced a large number of consumers to the higher tariff rate. In just a matter of four months, the Fiji Commerce Commission implemented a second tariff realignment. This time, the Domestic Lifeline tariff was removed and replaced with a flat 38.84cents/unit for all consumption above 75kWh. This again has pushed the majority of consumers to an even higher tariff rate. The November 2010 tariff changes included a policy whereby the Government subsidises at the rate of 17.64cents/unit for all consumption equal to or less than 75kWh per month. This subsidy mainly targets 'low consumption' rather than actually benefitting poor consumers. It is important to note that poor consumers tend to live in larger households where electricity consumption is much higher than 75kWh per month. The government subsidy thus does not benefit the poor, but benefits consumers who have low electricity consumption per month. Furthermore, the Nadarivatu power station has increased the FEA's renewable/non-renewable energy mix to 75.9% and the Fiji Commerce Commission (FCC) accordingly reduced tariffs

beginning January 2013 with domestic consumers now paying \$1.74 less per unit.¹ However, this decrease is very low and hardly a relief to consumers. Consumers expect a higher rate of decrease in tariffs especially with the increase in FEA's renewable energy generation.

3.1.1 Recommendations

The Council recommends that the NEP considers:

- Strategies that lowers electricity tariffs for poor and low-income earners. A third domestic tariff line for the elderly, people with disabilities and those with incomes below the minimum wage to be introduced.
- Policies that facilitate downward changes in electricity tariffs as FEA's renewable energy capacity increases. Increases in renewable energy generation must be matched with decreases in tariffs and end-user costs.

3.2 FEA Monopoly & Unfair Trade Practices

The FEA as monopoly electricity supplier needs to be kept in check through appropriate legislative changes. While FEA tariffs have come under the regulatory ambit of the FCC, the Consumer Council firmly believes that the FEA's position as both power provider and regulator under the *Electricity Act* is a key area for policy intervention. The FEA's unchecked power is illustrated by the hundreds of consumer complaints in regards to the revised security deposit implemented in 2011; disconnection policies; domestic minimum charges on unused lines and other unfair business practices. After pressure from the Council and the public the FEA revised its lump sum charge to one where security deposits would on a fixed sum spread over a 6-month period. However, towards the end of the first quarter of 2012, the Council started receiving complaints from consumers who saw a sudden change in the fixed amount charged to each bill since FEA started charging the additional amount. For example one customer who was charged the fixed amount of \$5.70 for each month found himself being billed \$23.11 for one month. While FEA's lame excuse was that there were some discrepancies in the repayment, many consumers who were paying regularly found themselves under threat of disconnection. FEA's monopolistic and legislation-sanctioned power in the supply of electricity needs to be reviewed and removed to prevent continuing abuse of consumers' rights.

3.2.1 Review of Electricity Act to create appropriate institutions

To foster energy efficiency, a holistic review of all existing institutional arrangements must be taken immediately. It should start with a review and reform of the policy and legal framework pertaining to FEA's powers and functions. The law in all aspects is favourable towards FEA with unchecked powers to do anything or everything in its own. FEA also creates consumer

¹ FCC Determination 11 December 2012.

complaints and then tries to handle it by hiding behind its seemingly unfair legislation. For example, when there are unannounced power surges or blackouts, consumers suffer damages to their electrical appliances and FEA completely denies any responsibility. In that respect a sector-specific Ombudsman style regulator should be set up to just look into FEA related issues and consumer complaints in an independent manner. FEA also has regulatory powers to issue licences to electrical companies for (legal) electrification works throughout Fiji but it exonerates itself from any wrongdoing if the electrical company defaults or provides defective service where consumers loses property and/or valuables – in most cases this has not been compensated by either the electrical company or FEA.

3.2.2 Recommendations

The Council recommends that the review should:

- Prioritise legislative changes, in particular a wholesome review of the *Electricity Act* and removal of the FEA's regulatory authority and absolute powers. The changes should include putting in place provisions that address consumer redress, appropriate penalties against electricity suppliers and appropriate compensation for customers against non-compliant suppliers and damages from power surges.
- The review of the *Electricity Act* should consider putting in consumer protection clause rather than having the current legislation which is producer-driven and only protects the interest of electricity producers such as FEA.
- Consider the establishment of an independent body or Ombudsman to oversee the work of the FEA. This independent body should take the role of regulator to address consumer grievances over FEA's business practices, redress and appropriate compensation for aggrieved customers.
- Consider an independent evaluation of the effectiveness of the FEA (and the Department of Energy) in delivering government's social obligation under rural electrification program and quantifying social obligation costs stated by FEA.

4.0 ENERGY DEMAND MANAGEMENT (Demand Side Management)

The Consumer Council believes that energy demand management (demand side management (DSM) should be included in a new NEP. While the Consumer Council lobbies hard for consumer rights, it also encourages consumer responsibility where consumers are urged to exercise prudence in consumption and be aware of the impact of their consumption on the environment and the community. The Council believes that modifying consumer demand for energy can be successfully achieved through policies that provide good financial incentives and appropriate education/awareness for consumers.

4.1 Energy-Saver Light Bulbs

The Consumer Council believes that incentives for consumers to reduce consumption of electricity should be implemented in very practical ways and where consumers are able to easily comprehend the monetary benefits. Encouraging the use of energy-saver light bulbs in homes is one good area. The Council in January 2013 launched its *Switch and Save* campaign² to educate and encourage consumers to switch to using CFLs instead of power-hungry incandescent light bulbs. The campaign involved publication of a factsheet that provides consumers with information on how energy-savers can help them reduced their electricity bills. A reduction in household FEA bills by switching to energy-saver bulbs is a potent incentive that can lead to change in behaviour. The Council believes that policies that encourage and incentivise consumers to reduce their electricity or energy consumption should have practical monetary benefit to consumers. There are however ongoing challenges that policymakers need to address. While the Council welcomed Government's reduction of duty on energy-saver light bulbs our price surveys have found that this has not been effectively passed down to consumers via reduced prices of bulbs. The high retail prices of energy saver bulbs are deterrence. Ordinary consumers generally perceive these bulbs to be expensive novelties that are purchased mainly by those with high incomes. Another obstacle is the availability in the market of energy-saver bulbs with questionable quality and safety. The Council has been involved in one case that led to one particular brand of energy-saver light being put on the Ministry of Industry & Trade's (MIT) dangerous goods list due to safety risks. These are standards issues which the Department of Energy and MIT's Department of National Measurement and Trade Standards (DNMTS) need to address. The Council is of the view that these issues are not confined to energy-saver light bulbs only but may also be present for other energy-efficient products in the market.

4.1.1 Recommendations

The Council recommends that the review of the NEP include:

- Regular evaluation of Government duty incentive for energy-saver light bulbs to ensure that policy objectives are achieved i.e. retail prices of energy-saver bulbs decrease. DOE should investigate why energy-savers continue to be expensive.
- Department of Energy and DNMTS/MIT should collaborate to establish appropriate standards for energy-saver light bulbs. DOE can have a positive contribution by assisting DNMTS in technical standards as the latter is the implementing and regulatory agency for standards.
- Incandescent light bulbs and other energy efficient appliances and equipment should be phased out and a timeline given. This is the trend in other countries such as Australia where phasing out has become the better alternative to total banning. The phasing out can

² See www.consumersfiji.org for more information

be more effective and successful if the recommendation above is followed whereby appropriate standards are first established by DNMTS.

4.2 FEA's Role in Energy Demand Management

The Consumer Council is of the view that the FEA is not doing enough to encourage energy-saving amongst consumers. While the FEA has produced consumer information materials and some awareness via the media, the Council believes that the power supplier needs to do more and extend its work to the commercial sector. The commercial sector is the largest consumer of electricity and the Council finds that FEA is just not doing enough to encourage businesses and industry to save electricity.

4.2.1 Recommendation

The Council recommends that the NEP consider the following:

- FEA should produce a Energy Demand Management or Demand Side Management plan that is holistic and inclusive of all customer bases irrespective of size or stature.. The plan should also include energy-saving schemes for all commercial users and a nationwide awareness campaign on household electrical appliances for domestic customers. This initiative should include the establishment of standards for electrical appliances such as standards for phantom loads – electricity lost or used when appliances are off on stand-by. There should be a limit on the maximum allowable phantom loads on appliances. The cost of education must be borne by FEA as part of its corporate social responsibility.
- For Demand Side Management for commercial sector, DOE/FEA should ensure the building is designed to save energy. Such requirements should be clearly stated upfront which new commercial building must adhere at the approval of building plan stage.

4.3 Energy Ratings Labelling

The Consumer Council is of the view that the implementation of the DOE's energy ratings labelling scheme has not been done effectively. The enabling law, the Trade Standards (Household Electric Refrigerating Appliances) Order 2007 only came into effect on January 2012 and effective enforcement was announced in early 2013. The DOE highlighted that the Australia/New Zealand standards on performance of refrigerating appliances were now being adopted in Fiji in an effort to save energy. The adopted standards for refrigerators and freezers would now require traders and suppliers to apply and seek approval for registration and importation of such appliances. While the Council applauded such initiative it however found that implementation was weak as evidenced by confusion over labelling coloured use. In 2012 the council through its market surveillance checked 14 different brands of refrigerators for compliance with the energy rating labels. It found that the different energy rating labels carried different colour shades rather than having a standard colour. A green band at the bottom of the original energy rating label was missing in some labels. Also the Council found

the credibility of the star rating on some brands questionable. In some cases, one and a half star rating label carried a message 'rated 3.5 stars on old scale'. In 2012 the Council found that the brand name and model number stated on most energy rating labels could not be found on www.energyrating.gov.au if one wished to verify the energy rating or efficiency of the refrigerators as stated on the label. The market unfortunately has been flooded with generic products or 'home brands' defined as brands without factories with misleading and false claims on energy ratings which are not in line with the standard used in Australia and New Zealand. The Council is of the view that traders have been using deceptive methods convince consumers that they are buying energy efficient products. Energy rating labels on refrigerators sold locally becomes meaningless when the information and claims on the labels are incorrect. The Council has lobbied for enforcement agencies, in particular the Department of Energy to ensure that traders adhere to the standards that were introduced.

4.3.1 Recommendations

We recommend the following:

- The different brands of refrigerator available in Fiji should be readily available on the website: www.energyrating.gov.au to curb suspicion and confusion. DOE must work in this area or otherwise the consumers will not trust the labels.
- Consumers should be provided an avenue for verification if consumers believe they have purchased a product with false energy rating labels. This can be located at the DOE being the implementing agency.
- DOE, DNMTS and other agencies should conduct regular market surveillance to detect and act on false energy rating labelling. Products should be recalled from retail outlets and appropriate penalties imposed on the trader or importer.
- Traders or importers that wish to use energy rating labels for advertisement and promotion of their products should be approved by the DOE whereby the department has assessed and vetted the advertised products.

4.4 Dumping Of Sub-standard Electrical Appliances

The Consumer Council of Fiji continues to receive complaints related to shoddy electrical appliances. Consumers spend large sum of money to purchase electrical item in the market which barely lasts for few months to few years without giving consumers value for money. There are number of less known brands in the market which have posed problems for consumers and consumer protection agencies, particularly in the tracing of manufacturers or country of origins, and standards if there are any. Standards for electrical items including energy-efficient products is sorely lacking in Fiji. The absence of standards is one of the factors that is driving the influx of substandard, low-quality and counterfeit electrical products into Fiji. The Consumer Council wants better standards set and enforced for electrical goods

coming into the country. Since 2006, complaints on electronic/electrical goods have featured in the top ten highest categories of complaints recorded at the Consumer Council. In 2007 and 2008 it was the second highest (second to tenancy complaints) and continues today to be one of the top recurring complaints at the Council. This high complaints statistics is a result of the proliferation of cheap quality imports in the market and the fact that proper standards and regulations are absent allowing unscrupulous importers and retailers to bring in these substandard products. The Council has found that many electronic products flooding the market are giving consumers false expectations about their quality and longevity. Many complaints on electrical goods relate to poor after-sale services provided to the consumers as many of these products are of substandard quality, have very low durability and often come without proper warranty. Complaints cases include: issues relating to traders unwillingness to repair or replace faulty products; not having the required spare parts for particular products; appliances breaking down hours after repairs; retailers not willing to repair items still under warranty or telling consumers to contact manufacturers for repairs. The Council has many examples of sordid experiences faced by consumers who purchased electrical products. For example, one complainant had to give his washing machine three times for repairs to the retailer within months of purchase. Frustrated and tired when the customer asked for refund, his request was denied by the retailer. Council's experience shows that consumers get lured by the low prices of some electronic goods and they do not spend time on thoroughly finding out about the products before purchasing it.

4.4.1 Incompatible voltage standards

The market has also been flooded with electrical products that often have lower voltage system than the Fiji standard of 220-240V. Apart from posing potential safety risks, these products actually contribute to inflated cost to consumers who have to spend extra dollars to purchase right power adapters for low voltage appliances. Many electronics importers are bringing in products from Asian countries with lower voltage standards and many of their products are imported without necessary adapters.

4.4.2 Recommendations

The Consumer Council submits that the review of the NEP to include:

- Prioritising the establishment of appropriate standards and corresponding institutional enforcement and monitoring. DNMTS, FEA and DOE should collaborate to establish minimum standards on electrical products and accessories. Once standards are set for electrical items, policies and regulations can be put in place to control or ban the importation of products that do not meet the national standards.\
- Electrical products that have lower voltage requirements than the Fiji standard should be banned outright. In the absence of a ban, importers and retailers should be required to provide necessary voltage adapters for such products. Consumers should not be made to fork out extra money to purchase adapters.

- Standards for electrical items should include: mandatory labelling requirements and disclosure of information such as source country or manufacturing source of electrical products; mandatory safety information; mandatory importation of spare parts and accessories; and a mandatory safety recall system that all importers and retailers should abide by.

5.0 CONCLUSION

The Council's submission addresses consumer protection concerns which we believe should be incorporated in the revised NEP. The 2006 NEP has not covered consumer protection and consumer rights which are crucial if Fiji intends to have a robust and enviable energy sector. A critical key focus area that we believe should be prioritised is a review of the functions of the FEA of which a key step is amending the *Electricity Act* and having institutional reforms. The Council is prepared to provide further information and corroboration of issues raised in this submission.

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