

Chapter 6

Consumer protections

6.1 As discussed in Chapter 3, residential consumers in Australia have experienced increasing prices for electricity. The reasons for these increases have been explored in earlier chapters as have ways in which demand for electricity can be reduced through mechanisms such as cost reflective pricing, a demand response mechanism, information and consumer empowerment and a range of technological solutions.

6.2 This chapter examines the impact of these price increases on residential consumers and discusses protections to prevent consumers from experiencing adverse impacts associated with mechanisms to reduce demand for electricity.

Impact of increased electricity prices on consumers

6.3 The impact of increasing electricity prices on residential consumers cannot be denied: with limited budgets, many Australian households are finding it difficult to absorb the additional cost of higher electricity bills and are being forced to make challenging decisions about the allocation of household income to essentials such as rent, food and utilities.

6.4 Numerous individuals, consumer advocacy groups and unions voiced their concerns about the affordability of higher electricity bills during the course of the inquiry.¹ Ms Carolyn Hodge, Senior Policy Officer, Energy and Water Consumers' Advocacy Program, of the Public Interest Advocacy Centre (PIAC) stated:

The issue of rising electricity prices should be understood by the impact on people. In summary, the most recent electricity price rise sees people in New South Wales facing an increase of between \$208 and \$427 for an average annual electricity bill. This comes on top of a recent history in which double-digit price rises have become the norm.

We see price rises translate into rising disconnection numbers in New South Wales. According to the most recently available figures, approximately 18½ thousand people were disconnected for non-payment of bills in the 2010-11 financial year, and this is up by 15,835 from the previous year. Within this group, 18½ per cent, or nearly 3½ thousand people, were pension recipients and almost 1,500 people were disconnected more than once.

We are increasingly aware that people in the workforce are also struggling to pay their electricity bills. Additionally, PIAC hears from community organisations who are inundated with requests for assistance to pay

1 For example see Consumer Utilities Advocacy Centre (CUAC), *Submission 2*, p. 1; Mr Ray Davis, *Submission 4*, p. 1; Mr Barry Spencer, *Submission 6*, p. 1; Mrs Lynette Oakes, *Submission 7*, p. 1; Ethnic Communities Council of NSW, *Submission 11*, p 1; St Vincent de Paul Society, *Submission 36*, p. 3; Public Interest Advocacy Centre, *Submission 60*, pp 2–3; and United Voice, *Submission 77*, p. 1.

electricity bills, and our own research tells us that people are choosing not to heat or cool their homes because of concerns about cost, even when they need that heating or cooling to manage a medical condition.²

6.5 The Energy and Water Ombudsman Victoria (EWOV) informed the committee that it had seen an 'increasing number of Victorians contacting EWOV for assistance with energy and water matters' due to 'customer concerns about rising energy and water prices and associated affordability issues'.³ In the four years since 2007–08, EWOV had seen a 225 per cent increase in payment difficulty cases because '[e]nergy and water prices are rising and people tell [EWOV] they are facing other cost of living pressures'.⁴

6.6 The Energy and Water Ombudsman NSW (EWON) observed a similar trend in that state.⁵ EWON stated that '[d]isconnections because of inability to pay are of critical concern and the NSW electricity and gas disconnections rates remain too high'.⁶

6.7 Bringing the very real impact of rising electricity prices on the day-to-day lives of Australians into sharp focus, Ms Louise Tarrant, National Secretary of United Voice, shared a poignant personal account of one of the union's members:

A lot of our members are struggling with the impacts of massive increases in utility costs over recent years. They are also facing a dilemma in how they respond to that challenge.

...

I want to quote from a member who sent me an email this morning, because we wanted to make sure our members' voices are very clearly heard. This is from a woman called Emily. She is one of our senior childcare representatives. In fact, she was our representative on a government board looking at training requirements in the childcare sector. She came home from the meeting to find that her electricity had been cut off, and this is what her experience was: "When I got home from the meeting, the electricity was just totally cut off. The company wouldn't turn it back on without me paying, so I used whatever funds I had left to pay. I used up my holiday fund. Then they said it'd take five to six hours to reconnect, and then added another \$150 as a reconnection fee. I had to pay it all on the spot. I didn't want to be home in the dark with my four-year-old, so I had to take her to my mum's house to have a bath. We live in a tiny two-bedroom unit. It's really hot in summer and really cold in winter. We used to use air conditioning and heaters, but we don't anymore. We just pile on the

2 Ms Carolyn Hodge, Senior Policy Officer, Energy and Water Consumers' Advocacy Program, Public Interest Advocacy Centre (PIAC), *Proof Committee Hansard*, 25 September 2012, p. 56.

3 Energy and Water Ombudsman Victoria (EWOV), *Submission 13*, p. 2.

4 EWOV, *Submission 13*, p. 4.

5 Electricity and Water Ombudsman NSW (EWON), *Submission 21*, p. 3.

6 EWON, *Submission 21*, p. 3.

blankets. I'm trying to live on low wages, all these bills going up. In one year it's gone up so much. At what point does it stop?"⁷

6.8 Other submitters similarly raised the impact of increasing electricity prices on their daily lives, and the steps they have taken to limit their electricity consumption. Ms Jan Turner explained:

We have all energy efficient light bulbs throughout the house and only one bulb in each room. We use neither electric heating nor air-conditioning, cook on an electric stove but seldom use the oven as that is too expensive using stove top or microwave instead, we both take one minute showers and I follow my husband into the shower to save waste. Exactly how are we supposed to cut down any more? Eat our meals raw or eat in the middle of the night? Give up watching television at night?⁸

6.9 Mr Mark Hattersley described his efforts to minimise electricity usage:

...I've been paying AGL an average of \$150 bill per quarter, which many would call enviably modest...Few Australians would tolerate the self-imposed discipline whereby I achieve that figure: no freezer, no TV, no computer, no washing machine, no lights, no stove / oven, and no hot showers...I do "economize" drastically, in order to keep my bill to \$150: but how many people are prepared to put up with such humiliating deprivation?⁹

6.10 Whilst Australians across socioeconomic groups are facing the financial challenge of higher electricity prices, the disproportionate impact on low income and vulnerable consumers was an area of particular focus throughout the inquiry. In its submission, Jesuit Social Services stated that '[t]he impact of increasing supply charges is most acutely felt by low income earners'.¹⁰ Jesuit Social Services continued:

One common group of low income households is pensioners, who often live as couples or single occupants in small units. Even when concessions are taken into account, a pensioner earning \$347.65 per week who uses 57.5 kilowatt hours could spend around 5.2% (\$18.07) of their weekly income on electricity costs. As figures 3 makes clear, the amount of this that is taken up by supply charges is the same as households with higher levels of income.

7 Ms Louise Tarrant, National Secretary, United Voice, *Proof Committee Hansard*, 9 October 2012, p.59.

8 Ms Jan Turner, *Submission 32*, p. 1.

9 Mr Mark Hattersley, *Submission 54*, pp 3–4.

10 Jesuit Social Services, *Submission 95*, p. 6.

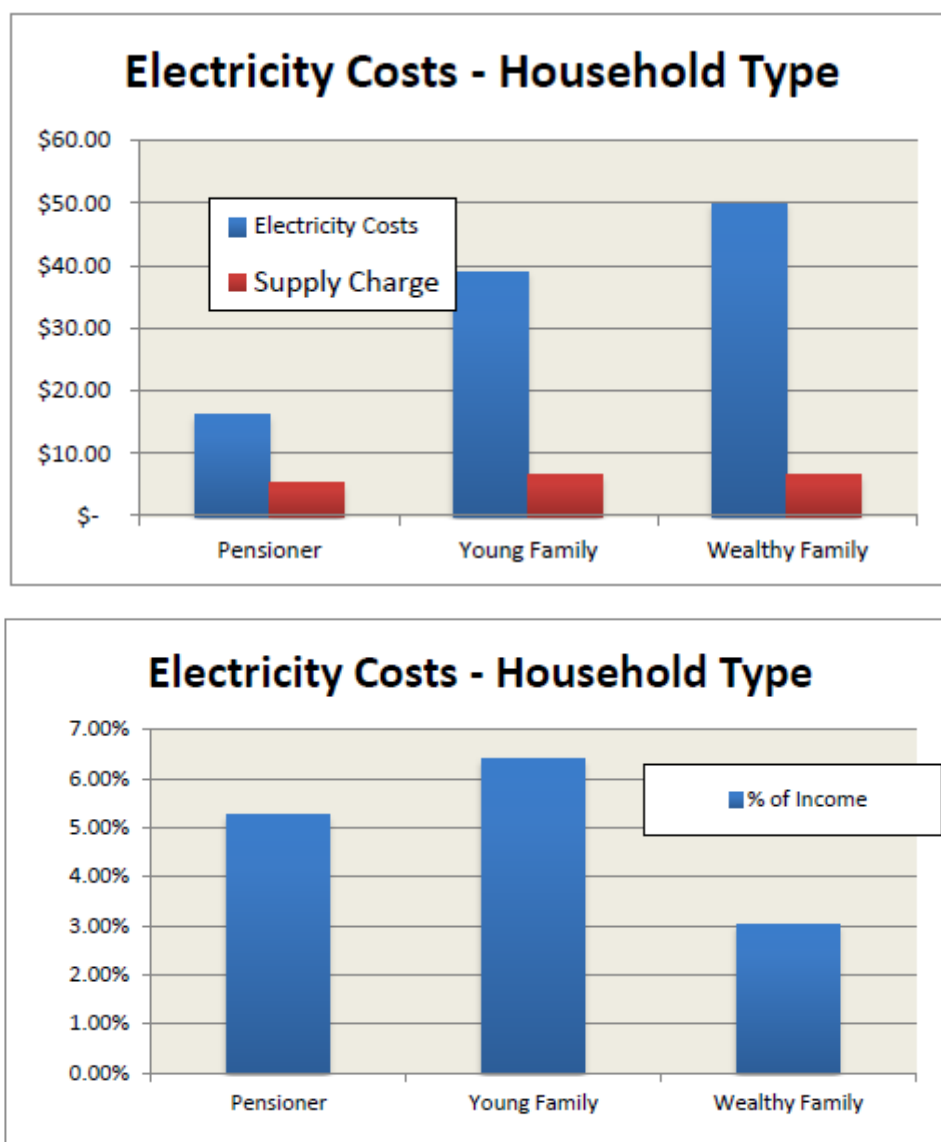


Figure 3 & 4: Impact of electricity prices on different income groups

The overall impact of rising electricity prices on different household types is made clear in figures 3 and 4. Households with lower incomes are spending a greater proportion of their income on meeting the rising costs of electricity. As these incomes are growing at a lower rate than incomes in the higher two quintiles, this burden is likely to increase. Figure 4 shows how young families on low incomes are particularly hard hit by electricity costs. This group, referred to as the "family formation" group, have young children, which leads to more power use because:

- More people means more usage of appliances and entertainment generally;
- Kids will be home during "Peak" hours when electricity is more expensive;
- Young children are already stretching the family income, both due to increased costs and because of parents working less hours.

These factors combine to mean that a family formation household on a low income (\$709 per week) might pay up to 6.4% of their weekly income on electricity costs compared to 3% for a high income family (in the 5th [q]uintile).¹¹

6.11 The Combined Pensioners and Superannuants Association of NSW (CPSA) concurred:

There are currently over 5 million Australians in receipt of an income support payment from Centrelink. These people struggle on low fixed incomes to pay for basic goods and services. In particular, those who rely solely on either a pension or allowance (the majority) are unable to afford essentials, including utilities.

...

According to the Association of Superannuation Funds Australia (ASFA), a single retiree needs to spend approximately \$22,000 per annum to sustain a modest standard of living. This budget standard allows for an electricity bill of \$35.08 per week or \$1824.16 per year. Yet with average bills now coming in at \$2876 per annum it is clear that in particular, pensioners on lower fixed incomes are simply unable to pay for their electricity usage.¹²

6.12 The Australian Council of Social Service (ACOSS) shared this concern, while drawing attention to the energy inefficiency of the housing stock in which many low income and vulnerable consumers live:

People living on low incomes are experiencing significant pressures as a result of substantial increases in the cost of electricity, without a concomitant increase in income. Low income people are most likely to live in poorly-insulated and inefficient rental accommodation, and spend a higher proportion of their income on energy, water and fuel than others. They are least able to respond to increases in prices and to invest in more efficient homes. Given that energy is an essential service, energy price rises leave the most vulnerable households with little option but to pay the extra.¹³

Committee comment

6.13 Rising electricity prices are having a real and undeniable impact on Australian households: increased numbers of disconnections and greater numbers of consumers seeking assistance from energy and water ombudsmen are just some indicators of this. The personal accounts shared with the committee emphasise the extent of the problem and demonstrate the great lengths to which consumers are already going in their efforts to reduce their electricity consumption and minimise their bills. The committee believes these accounts are but a small sample of experiences shared by many Australians around the nation struggling with electricity bills. Further, these examples

11 Jesuit Social Services, *Submission 95*, pp 6–7.

12 Combined Pensioners and Superannuants Association of NSW (CPSA), *Submission 18*, p. 2.

13 Australian Council of Social Service (ACOSS), *Submission 67*, p. 4.

serve to strengthen calls for action and innovative solutions that enable consumers to reduce their electricity consumption in ways that do not sacrifice their quality of life.

6.14 In this context, the committee wishes to ensure that appropriate protections accompany the implementation of demand reduction mechanisms (see Chapter 5). The committee is particularly cognisant of the risk of low income and vulnerable consumers being negatively affected and believes that special consumer protections are warranted to ensure that these consumers do not, perversely, see their electricity bills rising further.

National Electricity Objective

6.15 As outlined in Chapter 4, the National Electricity Objective (NEO) is:

To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –

- (a) price, quality, safety, reliability, and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.¹⁴

6.16 Concern was raised that the NEO does not adequately uphold the interests of consumers and therefore requires amendment.¹⁵

6.17 PIAC highlighted that the electricity system can only be considered to be working in the long-term interests of consumers with regards to price and security of supply if issues related to affordability are considered and addressed as part of policy initiatives¹⁶. PIAC submitted that:

...any analysis of electricity prices must include an analysis of the social safety net that is struggling to keep people connected to this essential service. Allowing these two issues to continue without any link will see the divide between electricity costs and assistance grow even greater than it is today...¹⁷

6.18 PIAC recommended that the NEO should be changed to include "affordable access" with respect to the supply of electricity.¹⁸

6.19 The Standing Council on Energy and Resources (SCER) Expert Panel *Review of the Limited Merits Review Regime Stage Two Report* also argued the NEO could better state a commitment to the long-term interests of consumers.¹⁹ The panel noted

14 National Electricity Law (NEL), section 7.

15 PIAC, *Submission 60*, pp 4–5.

16 PIAC, *Submission 60*, p. 4.

17 PIAC, *Submission 60*, p. 5.

18 PIAC, *Submission 60*, p. 5.

19 Professor G. Yarrow, the Hon. M. Egan and Dr J. Tamblyn, *Review of the Limited Merits Review Regime: Stage Two Report*, 30 September 2012, p. 38.

that assessments of efficiency need to balance cost considerations with other factors beyond the notion of pure economic efficiency itself.²⁰ The panel wrote that:

It is the Panel's view that this is precisely what the reference to 'for the long-term interests of consumers' in the legislation provides, and the recommendations therefore serve to reinforce the intended meaning.²¹

6.20 As a result, the panel recommended that the NEO be changed to read 'in ways that best serve the long term interests of consumers' rather than 'for the long term interests of consumers'.²²

National Energy Consumer Framework

6.21 The National Energy Customer Framework (NECF) is a national regime for the sale and supply of electricity and gas by retailers and distributors to retail consumers. It is a major component of the national energy market reform program as agreed by the Council of Australian Governments (COAG) under the Australian Energy Market Agreement (AEMA).²³

6.22 The legislation and rules that gives effect to the framework was passed by the South Australian Parliament in March 2011.²⁴ NECF commenced in the Australian Capital Territory (ACT) and Tasmania on 1 July 2012 (see also Chapter 2). New South Wales (NSW), Victoria and South Australia will commence the NECF as soon as is practicable.²⁵ Queensland is yet to consider application of NECF in that state.²⁶

Overview

6.23 NECF contains a range of consumer protections relating to the supply of energy to retail consumers, retailer authorisations, compliance monitoring and reporting.

20 Professor G. Yarrow, the Hon. M. Egan and Dr J. Tamblyn, *Review of the Limited Merits Review Regime: Stage Two Report*, 30 September 2012, p. 38.

21 Professor G. Yarrow, the Hon. M. Egan and Dr J. Tamblyn, *Review of the Limited Merits Review Regime: Stage Two Report*, 30 September 2012, p. 38.

22 Professor G. Yarrow, the Hon. M. Egan and Dr J. Tamblyn, *Review of the Limited Merits Review Regime: Stage Two Report*, 30 September 2012, p. 38.

23 Department of Resources, Energy and Tourism (DRET), *Submission 61*, p. 33.

24 The National Energy Consumer Framework (NECF) is created by the *National Energy Retail Law (South Australia) Act 2011* (SA). The passage of the legislation through the South Australian Parliament did not result in the immediate commencement of the NECF in South Australia.

25 DRET, *National Energy Customer Framework*, www.ret.gov.au/energy/energy_markets/national_energy_customer_framework/Pages/NationalEnergyCustomerFramework.aspx (accessed 25 October 2012).

26 DRET, *National Energy Customer Framework*, www.ret.gov.au/energy/energy_markets/national_energy_customer_framework/Pages/NationalEnergyCustomerFramework.aspx (accessed 25 October 2012).

6.24 The framework provides for consistent consumer protections across all participating jurisdictions. The framework ensures that customers are to get full details of the terms of their energy contract and have the contract explained in terms they understand before signing. Minimum terms and conditions must also be contained in a customer's energy contract.

6.25 Policies relating to customer hardship are included in NECF. Retailers are required to develop consumer hardship policies which include certain prescribed elements to assist residential consumers experiencing longer-term payment difficulties.

6.26 Under NECF, consumers must also be protected from poor marketing practices, unwanted calls and poor customer service. NECF also protects consumers from disconnection where they are registered as having life support equipment at their premises.

6.27 NECF has also seen the introduction of a price comparator website (www.energymadeeasy.gov.au) that will assist consumers to compare different prices offered by retailers in their area. Further, the framework requires retailers to provide customers with more detailed information on their bills.

6.28 For retailers, NECF removes regulatory overlap and unnecessary divergence between jurisdictions. The introduction of a national retailer authorisation decreases the current regulatory duplication where a retail license must be obtained in each separate jurisdiction.

6.29 The Department of Resources, Energy and Tourism (DRET) stated that harmonising consumer protections across the National Electricity Market (NEM) would result in benefits that:

...enable industry to pass on the savings they realise from reduced compliance costs and barriers to market entry to customers through lower energy prices. Further, customers will be empowered through access to more information about their consumption and the services available to them.²⁷

Support for NECF

6.30 Consumer advocacy groups and welfare organisations were supportive of NECF because it would help protect customers and assist them to better understand electricity prices.²⁸ For example, CHOICE submitted that:

... the National Energy Customer Framework (NECF) should be agreed and adopted by all jurisdictions as soon as possible. In particular we recommend the fast-tracking of obligations on retailers to supply Energy Price Fact Sheets and tariff information for the Australian Energy Regulator's price

27 DRET, *Submission 61*, p. 46.

28 For example see PIAC, *Submission 60*, p. 11; ACOSS, *Submission 67*, pp 13–14; CHOICE, *Submission 73*, p. 16;

comparison site, www.energymadeeasy.gov.au, as provided for under the NECF.²⁹

6.31 Mr Gerard Brody from the Consumer Action Law Centre (CALC) similarly stated:

The benefits of a nationally consistent framework include being able to have one clear enforcement agency and having a much more robust range of enforcement powers to deal with misconduct amongst retail energy providers. At the moment our state regulators have much more restrained range of enforcement mechanism, often just taking away their licence or writing them a letter; there is nothing in between. That sort of framework has real prospects at a national level, so we would like to see a move to that national customer framework coming into place while ensuring that it reaches the best practice standards.³⁰

6.32 Whilst supportive of NECF, consumer advocacy groups did raise some concerns that the framework would not provide the same level of consumer protections in Victoria as the current state framework.³¹ Ms Caitlin Whiteman from the Consumer Utilities Advocacy Centre (CUAC) summarised these concerns:

Victorians, with our high rate of churn, our smart meters and the imminent introduction of flexible pricing, need some protections that are not included. We do not want to go down a level when we have a market that is getting more and more intense.³²

Committee comment

6.33 NECF provides energy consumers with valuable protections whilst simultaneously providing benefits to electricity retailers by removing duplicative red tape. For these reasons, the committee supports NECF and its introduction in the NEM.

6.34 The committee praises the ACT and Tasmania for their expeditious implementation of NECF and urges the remaining states in the NEM to implement the framework on or before 1 July 2012 in order to provide consumers in these states with the same protections as those in the ACT and Tasmania, and in a way that does not diminish existing consumer protections (for example, in Victoria).

29 CHOICE, *Submission 73*, p. 16.

30 Mr Gerard Brody, Director, Policy and Campaigns, CALC, *Proof Committee Hansard*, 27 September 2012, p. 41

31 See Mr Gerard Brody, Director, Policy and Campaigns, CALC, *Proof Committee Hansard*, 27 September 2012, p. 41; and Ms Caitlin Whiteman, Research and Policy Advocate, CUAC, *Proof Committee Hansard*, 27 September 2012, p. 33.

32 Ms Caitlin Whiteman, Research and Policy Advocate, CUAC, *Proof Committee Hansard*, 27 September 2012, p. 33.

Recommendation 14

6.35 The committee recommends that NECF is implemented in all states and territories in the NEM in a way that does not diminish from existing consumer protections and to take effect on or before 1 July 2013.

National consumer advocacy body

6.36 A number of submitters argued for creation of a national consumer advocacy body to represent the views of consumers.³³ For example, CHOICE submitted that:

...there is a clear need for greater resources to support consumer advocacy on behalf of residential energy consumers, including the establishment of a national energy consumer advocacy body.

...

Advocates for residential energy consumers often contest issues alongside well-resourced representatives from the electricity generation, network and retail sectors, all of which also have national peak bodies, as do large-scale energy consumers. It is worth noting that advocacy on behalf of energy sector businesses is effectively funded by consumers, given all costs for these businesses, including lobbying, end up being paid for through consumers' energy bills.³⁴

6.37 The CUAC likewise argued that:

...stronger and more effective advocacy for energy consumers is required at a national level. While state based advocacy remains important in order to reflect the varying needs of consumers across different parts of the country, the growing role of national institutions in the energy market requires stronger consumer representative agencies at that national level.³⁵

6.38 As did ACOSS:

An effective, well-resourced national energy consumer advocacy body can operate to ensure consumer interests are central to decision-making by governments, regulators and energy businesses. Working closely with existing advocacy and community agencies to leverage existing skills, knowledge and experience, a new body focused on national key priorities can contribute to more responsible, effective, sustainable and fair energy markets.³⁶

6.39 PIAC suggested creation of an 'affordability taskforce' convened by the Commonwealth Minister for Energy and Resources. Ms Carolyn Hodge of PIAC explained:

33 For example see CHOICE, *Submission 73*, p. 14; and Mr Gerard Brody, Director, Policy and Campaigns, CALC, *Proof Committee Hansard*, 27 September 2012, p. 38.

34 CHOICE, *Submission 73*, p. 14.

35 CUAC, *Submission 2*, pp 4–5.

36 ACOSS, *Submission 67*, p. 13.

...electricity drives people's lives, and continued access to this essential service is vital to protect people's basic dignity and fundamental rights. As such, PIAC strongly supports a formal process through which all stakeholders, including federal and state governments, industry, regulators, ombudsmen and consumer advocates can work together to work develop an electricity affordability strategy. An affordability task force convened by the chair of the Standing Council on Energy and Resources, Minister Martin Ferguson, would be a sizeable win for Australian electricity consumers and a forum to identify practical and achievable actions to facilitate access to electricity that is as equitable as it is efficient.³⁷

6.40 The CALC discussed the expertise required to navigate the complex electricity market and argued that establishment of a national body could offer this expert support to consumers. Mr Gerard Brody told the committee:

There is also an opportunity to build expertise. An example would be in relation to distribution price determinations, which are undertaken once every five years in each state. When it comes around to each state that consumer body—say it was our body—has to look back five years ago and remember what we did then and try to engage with the various distribution businesses. If there were a national body able to assist that, it would be consistently participating in those reviews because they are going on around Australia all the time. We think there would be real benefits from having that repeat player to build expertise and more effectively participate in those determination reviews.³⁸

Committee comment

6.41 As remarked elsewhere in this report, Australia's electricity market is technical and complex. This makes it difficult for consumers to both understand and effectively participate in its regulation.

6.42 The committee supports the call from consumer advocacy and social welfare groups for a national consumer advocacy body. Such a body could have the dual responsibilities of representing the views and interests of consumers in NEM regulatory processes as well as providing support and information to consumers about the electricity market, consumption and pricing.

Recommendation 15

6.43 The committee recommends that SCER consider establishing a national consumer advocacy body to represent and support consumers in the NEM.

37 Ms Carolyn Hodge, Senior Policy Officer, Energy and Water Consumers' Advocacy Program, PIAC, *Proof Committee Hansard*, 25 September 2012, p. 56.

38 Mr Gerard Brody, Director, Policy and Campaigns, CALC, *Proof Committee Hansard*, 27 September 2012, p. 38.

Specific protections for low income and vulnerable consumers

Opt-in cost reflective pricing

6.44 As discussed in Chapter 5, cost reflective pricing should be introduced in the NEM according to the recommendations of the *Power of Choice* report; that is, in a three-tiered model where small to medium consumers are deemed to remain on a flat network tariff unless they choose to shift to cost reflective pricing and install a smart meter. Transitioning to cost reflective pricing in this way should help to ensure that low income and vulnerable consumers are not adversely affected in circumstances where they are unable to shift their electricity consumption away from peak periods.

A social tariff

6.45 In addition to the three-tiered model described above and in Chapter 5, the Alternative Technology Association (ATA)—whilst supportive of cost reflective pricing—proposed a 'regulated social tariff whereby vulnerable consumers can be protected whilst other consumers can voluntarily choose cost reflective pricing that provides a benefit both to them and to network efficiency'.³⁹ The ATA explained:

...we strongly support the introduction of time-of-use pricing.

Our concern though is that if a whole lot of consumers move to time-of-use pricing because it benefits them, then that will have a flow-on unintended consequence of potentially driving up the cost of those flat tariffs that other consumers are seeking refuge in—in other words, because effectively the peakiness, if you like, of a load profile of customers who are on flat tariffs will increase as a result of consumers who would benefit from time of use moving away from there. So we see it as a further step than just having a voluntary mechanism. We think that there should be a protection in the form of a flat, simple social tariff for low-income consumers. This is something that has been discussed and there are varying views on it. Our view is that it would be effective and possible to implement a social tariff at a network tariff level, allowing a consistent and marketable and still competitive social tariff that can be used. This would be possibly seen by the networks and energy businesses as being awkward, however, we would note that it is not without precedent. If you look at feed-in tariffs that have been implemented across states, they have actually been based on network tariffs as well that have been for specific consumers. In the same way that you could have a network tariff for a consumer with solar panels, we see no reason that you cannot have a specific network tariff for a consumer who is vulnerable—one on a low income, one who holds a healthcare card or whatever the case may be.

Energy efficient appliances and housing

6.46 As discussed in Chapter 5, energy efficiency and energy saving measures were raised during the course of the inquiry as ways to ease electricity costs for

39 Mr Damien Moyse, Energy Projects and Policy Manager, Alternative Technology Association (ATA), *Proof Committee Hansard*, 3 October 2012, p. 2.

consumers.⁴⁰ Australian governments are pursuing a range of energy saving initiatives and offer various energy efficiency programs and grants to assist consumers to improve their energy efficiency.

6.47 Despite the gains and savings to be made by adopting energy efficiency strategies, barriers exist to these measures being widely adopted. The Council of the Ageing (COTA) stated that the elderly and those on low incomes are most affected by electricity price increases and are also those least likely to be able to afford to adopt energy efficiency measures.⁴¹

6.48 According to COTA, these consumers are unable to improve their efficiency because they use old, inefficient appliances and have no access to funds to replace them, have poor thermal efficiency in their homes, have medical conditions that require additional heating, cooling and electricity, and use mobility aids which require recharging.⁴²

6.49 The Brotherhood of St Laurence recommended that energy saving measures should be made available to ensure low-income households are able to receive benefits to assist in implementing energy efficiency measures.⁴³

6.50 It was also suggested by the CPSA that pensioners and those on low incomes are under-using electricity, refraining from using heaters and minimising television use to reduce utilities costs.⁴⁴

6.51 ACOSS highlighted the plight of tenants in Australia: approximately one in four Australian households reside in private rental or public housing and do not have rights or incentives to make capital improvements. ACOSS explained:

Landlords do not benefit from the bill savings or thermal comfort improvement energy efficiency improvements, and this split incentive has resulted in some of the most vulnerable households living in the most inefficient properties in Australia.⁴⁵

6.52 The CALC was also cognisant of the constraints on low income and vulnerable consumers to improve the energy efficiency of their homes and appliances:

We would certainly agree that poor quality housing stock and cheap appliances absolutely correlate with higher energy use, and of course that sort of housing stock and those sorts of products tend to be purchased by people who are financially vulnerable. So there is a very, very clear correlation. Indeed, they have the least capacity to avoid high electricity bills by making investments in those sorts of appliances. There is some

40 For example see ACT Greens, *Submission 1*, pp 1–2; ClimateWorks Australia, *Submission 20*, p. 1; and PIAC, *Submission 60*, p. 5;

41 Council of the Ageing (COTA), *Submission 57*, p. 5.

42 COTA, *Submission 57*, p. 5.

43 Brotherhood of St Laurence, *Submission 86*, p. 8.

44 CPSA, *Submission 18*, p. 3.

45 ACOSS, *Submission 67*, p. 11.

attractiveness to just not allowing products on the market that create those problems, but I guess the twin problem that goes with that, as we would know, is that the five-star energy rated appliances cost a lot more money. If such options were being considered, there would also need to be responses that enabled those appliances to be affordable.⁴⁶

6.53 PIAC indicated that current low-cost energy efficiency measures have already been adopted and a more thorough approach is needed:

...there is limited remaining scope to help low-income consumers through measures such as energy efficiency light bulbs, door snakes and water-saving showerheads. These products have been aggressively distributed, including by energy providers, and have therefore achieved significant market penetration, if not saturation.⁴⁷

6.54 PIAC accordingly recommended that 'alternative, more impactful approaches are now required in order to help low-income consumers share some of the benefits of reduced energy consumption'.⁴⁸

6.55 With regards to the ability of tenants to modify their electricity consumption by improving their energy efficiency, the committee was pleased to note during its site visit to the Smart Grid, Smart City Centre, research currently being conducted by the National Climate Change Adaptation Research Facility (NCCARF) examining how tenants are adapting to climate change by making changes to their dwellings and how they live in their homes.⁴⁹

Federal government assistance

6.56 As part of the federal government's climate change plan, it introduced the Clean Energy Household Assistance Program which delivers payments to 9 in 10 households alongside the introduction of the carbon price. The Minister for Climate Change and Energy Efficiency, the Hon Greg Combet MP explained:

On average, households will see cost increases of \$9.90 a week, while the average assistance will be \$10.10 a week.

All the household assistance families and pensioners receive is no strings attached—so if people can make some small changes, like changing to

46 Ms Catriona Lowe, Co-Chief Executive Officer, CALC, *Proof Committee Hansard*, 27 September 2012, p. 37.

47 PIAC, *Submission 60*, p. 5.

48 PIAC, *Submission 60*, p. 5.

49 University of Newcastle, *Invitation: Calling all renters in inner Newcastle and Toronto*, available at the Smart Grid, Smart City Centre (received 24 October 2012) and National Climate Change Adaptation Research Facility (NCCARF), Rental housing, climate change and adaptive capacity: a case study of Newcastle, NSW, available: <http://www.nccarf.edu.au/content/rental-housing-climate-change-and-adaptive-capacity-case-study-newcastle-nsw> (accessed 25 October 2012).

energy efficient light bulbs or switching the television off at the power point, they will keep all of their extra payments and tax cuts.⁵⁰

6.57 In addition, the government has introduced the Home Energy Saver Scheme (HESS) to provide low income earners with direct assistance to improve household energy efficiency, including a one-on-one home visit service. The scheme was developed in consultation with non-government and not-for-profit organisations, industry and unions.⁵¹ Funding for HESS is \$29.9 million over four years (until 2014–15). The scheme will also provide access to financial management information and education, advice, advocacy and support. Where appropriate, the scheme also includes referrals to the No Interest Loans Scheme (NILS), where appropriate to assist consumers to access capital to make longer term energy efficiency improvements.⁵² The scheme will be delivered by 19 not-for-profit organisations and 'seeks to build on and complement other financial management and energy initiatives'.⁵³

State government assistance

6.58 State and territory governments also offer assistance programs and packages to assist consumers with their electricity costs. Some of these assistance measures are summarised below.

New South Wales

6.59 The New South Wales (NSW) government offers various assistance measures with respect to energy bills, for example the:

- Family Energy Rebate of \$215 per year to assist concession cardholders to manage their energy costs;
- Medical Energy Rebate of \$215 per year for eligible concession cardholders with a medically diagnosed inability to self-regulate body temperature;
- Life Support Rebate to assist with the cost of electricity associated with the use of certain life support equipment;

50 The Hon Greg Combet AM, MP, Minister for Climate Change and Energy Efficiency, 'Helping low-income earners get ready for a clean energy future', Joint media release, 16 October 2011.

51 The Hon Mark Dreyfus QC MP, Parliamentary Secretary for Climate Change and Energy Efficiency, '\$45 million to boost energy efficiency in Local Government and low-income households', Media release, 6 June 2012, available: <http://www.climatechange.gov.au/en/minister/mark-dreyfus/2012/media-releases/June/MR-12-22.aspx> (accessed 3 September 2012).

52 The government has reallocated an additional \$20.7 million to the No Interest Loans Scheme from the former Solar Hot Water Rebate Scheme. See the Hon. Ms Jenny Macklin MP, Minister for Families, Community Services and Indigenous Affairs and Minister for Disability Reform, 'New scheme helps low-income Australians save on energy', Joint media release with Laura Smyth MP, 6 June 2012.

53 Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), *Financial Management Program*, available: <http://www.fahcsia.gov.au/our-responsibilities/communities-and-vulnerable-people/programs-services/financial-management-program>, (accessed 4 September 2012).

- Home Power Savings Program to assist vulnerable households to reduce their electricity bills via home power assessments, a "power saving kit" and power savings action plan;
- Free financial counselling services;
- Save Power website for energy saving tips and information on rebates to assist households purchase energy savings appliances; and
- Energy Accounts Payment Assistance (EAPA) vouchers to help financially disadvantaged consumers to stay connected to essential energy services during a financial crisis.⁵⁴

Queensland

6.60 The Queensland government offers the following electricity rebates and concessions such as the:

- Electricity rebate for pensioners and seniors (\$230 a year);
- Medical Cooling and Heating Electricity Concession Scheme (\$230 a year);
- Home Energy Emergency Assistance Scheme – assistance for customers experiencing a crisis or unforeseen emergency (up to \$720 a year);
- Electricity Life Support Concession Scheme (\$314–\$469 per year); and
- Consumer Advocacy Program delivered by the Queensland Council of Social Services (QCOSS)—a \$450 000 program designed to advocate the needs of low-income households and disadvantaged energy customers.⁵⁵

South Australia

6.61 The South Australian government offers a number of measures to assist with energy bills, such as:

- a concession of up to \$165 per year on household energy bills, to assist with electricity and gas payments, for certain concession cardholders;
- the Medical Heating and Cooling Concession of \$165 per year for low income earners who have a clinically verified medical condition which requires frequent use of heating or cooling in the home to prevent the severe exacerbation of their condition;⁵⁶

54 NSW government, *Supporting you: bills and payments*, available: <http://www.nsw.gov.au/pages/supporting-you-bills-and-payments> (accessed 18 October 2012).

55 Queensland government, *Rebates and concessions*, available: <http://www.deedi.qld.gov.au/energy/rebates-and-concessions.htm>, (accessed 12 September 2012); Queensland government, *Energy rebates and concessions* fact sheet, <http://www.deedi.qld.gov.au/documents/energy/rebates-and-concessions-factsheet.pdf>, (accessed 12 September 2012).

56 Department for Communities and Social Inclusion (SA), *Concessions*, available: <http://www.dcsi.sa.gov.au/pub/Home/Financialsupportandgrants/Concessions/tabid/209/Default.aspx> (accessed 19 October 2012).

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- a website with advice and information on energy saving measures;⁵⁷ and
 - the Residential Energy Efficiency Scheme which provides incentives for households to achieve greenhouse gas reductions and potentially lower energy bills through reduced energy consumption, and includes free home energy audits for low income households.⁵⁸

Tasmania

6.62 Assistance provided by the Tasmanian government to help with electricity bills includes:

- an electricity rebate of up to \$450.78 for pensioners and health care card holders;
- a heating allowance of \$56 per year to eligible pensioners to assist with heating costs; and
- a life support machine rebate which provides an electricity discount based on a daily rate to people who use an approved life support system, or live with someone who uses one.⁵⁹

Victoria

6.63 The Victorian government offers a range of energy concessions including the:

- Annual Electricity Concession which provides concession cardholders with a discount off household electricity bills year round;
- Service to Property Charge Concession which provides a reduction on the electricity supply charge for concession households with low electricity consumption;
- Medical Cooling Concession which provides a discount of 17.5 per cent off electricity costs over a six month period from 1 November to 30 April for concession cardholders with a specified medical condition (for example multiple sclerosis or Parkinson's disease);
- Off-peak Concession which provides a 13 per cent discount on the off-peak tariff on electricity bills for eligible concession cardholders and is not available for consumers on time variable tariffs;

57 Government of South Australia, *Energy Efficiency*, available: <http://www.sa.gov.au/subject/Water%2C+energy+and+environment/Energy/Energy+efficiency> (accessed 19 October 2002).

58 Essential Services Commission of South Australia, *Residential Energy Efficiency Scheme*, available: <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees.aspx> (accessed 19 October 2012).

59 Department of Premier and Cabinet (Tasmanian), *Discounts and concessions*, available: http://www.concessions.tas.gov.au/concessions/electricity_and_heating (accessed 19 October 2012).

- Life Support Concession which provides a quarterly discount on electricity bills where a concession cardholder or their household uses certain life support machines; and
- Electricity Transfer Fee Waiver which waives in full the fee normally payable to an electricity retailer when there is a change of occupancy at a property.⁶⁰

60 Department of Human Services (Victoria), *Energy Concessions*, available: <http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/energy> (accessed 18 October 2012).