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Tasmanian Council of Social Service

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## TasCOSS submission on the *Energy White Paper: Issues Paper*

*6 February 2014*

### About TasCOSS

TasCOSS is the peak body for the Tasmanian community services sector. Its membership comprises individuals and organisations active in the provision of community services to low- income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage and promote the adoption of effective solutions to address these issues.

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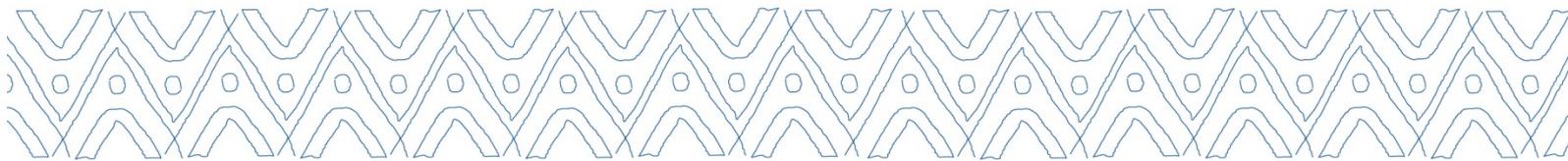
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The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to participate in the development of a new *Energy White Paper* that articulates the Australian Government's approach to energy policy. We especially welcome the open public consultation process provided to both identify significant energy-related issues in the first instance, and later to comment on a draft 'green paper' on energy prior to the publication of the final *Energy White Paper*.

As the peak body for the Tasmanian community services sector and advocate for the low-income, disadvantaged and vulnerable Tasmanians that the sector supports, TasCOSS has a keen interest in energy policy. Our particular focus is on energy affordability – a critical issue for growing numbers of low-income and vulnerable Tasmanian households.

Household energy supply is an essential service in contemporary Australia and is critical to individual, family and community health and wellbeing. It is therefore vital that household energy is affordable for all Australians – and, unfortunately, this is no longer the case as increasing numbers of households struggle through rationing, high debts and threats of disconnection, to maintain energy supply. Many fail.

TasCOSS sees the development of this *Energy White Paper* as an opportunity to embed in Australia's long-term energy policy framework the acknowledgment of energy as an essential service and the necessity to develop and maintain policies that ensure the ongoing affordability of energy supply to all Australians as a key outcome of national energy policy.

The affordability of household energy involves components of cost, consumption and disposable income. Energy policy has the capacity to address two of these components – cost and consumption – and TasCOSS believes that the *Energy White Paper* should foreground these issues in order to facilitate affordability.

This submission therefore focuses on affordability of household energy supply and on some of the cost and consumption issues that contribute to it, including consumer protection, effective regulation, consumer education, maximising efficient energy use, increasing the capacity for demand-side response, and gas prices.

### **Affordability**

Electricity price rises have been a significant issue for many Australians over the past decade, and in particular for those who live on low incomes and who are financially vulnerable. TasCOSS member organisations that provide emergency relief and financial counselling services are unequivocal when asked what the major problem is for their clients: it is high electricity prices.

Our members report situations that are not reflected in energy companies' performance reporting – these include households rationing electricity by all family members getting into bed in the very early evening to avoid having to use heating,

lighting and appliances; by heating only a single room in winter so that all activities (including homework, reading, conversation, music, television viewing and phone calls) occur in the same physical space; by not using heaters at all in Tasmanian winters; by turning off hot water storage units and/or reducing hot water use in showers and washing; by eating cold food to minimise the use of cooking appliances. These strategies for rationing electricity use are employed by a range of low-income earners, including aged and disability pensioners, single parent families, those relying on NewStart and Youth Allowances and those on low incomes through often casual, insecure and unreliable work.

Electricity debts are currently very high in Tasmania after an 18 month period during which the sole electricity retailer suspended disconnections and did not provide adequate alternative credit management arrangements. More than a thousand Tasmanians are struggling with debts in excess of \$1,500 and some have debts of over \$8,000.

Disconnections in Tasmania have recommenced and while the numbers remain relatively low, those affected often face long periods of disconnection due to the retailer requiring one-third of an outstanding debt to be paid upfront in order to have power reconnected. This leads to serious hardship and the employment of desperate measures. TasCOSS members have reported disconnected households regularly using butane gas camping stoves and public barbecue facilities for cooking; using showers in gyms and beachside change-rooms; running extension cords across property boundaries and so on.

The Australian Energy Regulator in its 2012-13 *Annual Report on the Performance of the Retail Energy Market* noted that low-income Tasmanian households spend the highest percentage of their disposable incomes on electricity bills – 7.9 per cent for those in receipt of an electricity concession and 9.5 per cent for those without a concession. This compares to percentages ranging from 2.9 per cent (in the ACT) to 5.9 per cent (South Australia) in the other NEM jurisdictions. This is explained by Tasmanians using more electricity than those in other jurisdictions due to a cooler climate and limited access to reticulated gas supply, and to Tasmanian incomes being lower on average than in other jurisdictions.

Affordability of household energy is a serious issue in Tasmania.

### **Effective regulation & consumer protection**

A feature of the *Energy White Paper – Issues Paper* that concerns TasCOSS is the repeated reference to the ‘regulatory burden’ experienced by energy supply companies. TasCOSS believes that describing the regulatory framework as a ‘burden’ conveys the assumption that it is not necessary and invites the reduction of this ‘burden’. We contend that this is a bias in the *Issues Paper* that should not be permitted to find its way into an *Energy White Paper*.

Regulation exists for reasons including to ensure safety, reliability, probity, fairness and consumer protection in the delivery of an essential service. It also attempts to balance the needs of various stakeholders. Much energy regulation was developed in consultation with those affected and is open to review and amendment in various ways.

Effective regulation can also contribute to affordability by ensuring that network revenues are fair and reasonable. It has been suggested that regulation has functioned in recent years to benefit network businesses at the expense of consumers in relation to allowable revenues that flow through to electricity prices. This prompted the AER to seek and gain significant rule changes that we hope will result in fairer outcomes in the future.

Regulation also provides important protections for consumers. A robust consumer protection framework is vital to ensure that consumers do not experience practices that result in disadvantage and/or that unfairly and unnecessarily increase costs. While the National Energy Customer Framework (NECF) has been a welcome addition to national energy policy, it must be closely monitored and actively enforced; its efficacy for consumer protection must be regularly assessed, and avenues for amendment of the framework must remain accessible.

In our view, it is essential that the AER remains independent, is able to build and maintain necessary expertise, and is adequately resourced to carry out rigorous monitoring and enforcement.

Furthermore, we believe that effective regulation involves ongoing dialogue with and between consumers and energy supply companies – those who are most directly affected by regulation. This is integral to the regulatory framework and must be facilitated.

### **Energy efficiency**

TasCOSS believes that maximising energy efficiency for low-income households has the potential to positively affect the consumption component of affordability over the long-term. It also contributes to reducing energy use and carbon emissions across industry, business, government and all households. It is a powerful strategy to improve affordability, obviate the need for expensive network augmentation and reduce harmful emissions. TasCOSS asserts that energy efficiency maximisation should therefore be a key policy focus for the *Energy White Paper*.

TasCOSS supports current energy efficiency measures mentioned in the *Issues Paper* and welcomes the recognition of energy efficiency as ‘an important enabler of economic growth’. However, our concern lies primarily in ensuring that housing stock and appliances used by low-income households are as energy efficient as possible. We support minimum building standards for new housing and energy efficiency requirements for household appliances and, additionally recommend a

comprehensive, long-term government-funded approach to increasing the energy and thermal efficiency of existing housing, particularly for low-income earners.

While there has been much progress made in this area through both Commonwealth and state-funded energy efficiency programs, these have tended to be grants-based, time-limited, short-term programs. TasCOSS believes that Australian governments should together develop models of effective energy efficiency retro-fitting, education and support programs for low-income households, (including those in rental housing) from evaluations of the plethora of previous and existing programs. Once developed and tested, the program should be rolled out across all states and territories with joint funding from all governments.

Such a program, or programs, must include as a component, the fitting of ceiling insulation where it is absent or degraded. We understand that the fitting in roof spaces of appropriate ceiling insulation is the most effective thermal efficiency measure that can be undertaken in most dwellings. In spite of the tragic events associated with the previous Government's insulation program, TasCOSS believes that this method of increasing thermal efficiency must be re-visited with a carefully designed, implemented and regulated program. Insulation is an effective energy efficiency measure and must not be consigned to history for political reasons; it can be done better.

### **Demand-side participation**

Demand-side participation has the potential to affect both the consumption and cost components of affordability and should be enabled and promoted. However, it is vitally important that the introduction of enabling technologies and options are preceded and accompanied by intensive consumer education campaigns.

While smart meters, personal energy apps and smart grids have the potential to allow many consumers to both reduce consumption and save money, they will not be appropriate to all consumers and this must be made clear. For instance, a time-of-use metering system may not be appropriate for households that have little capacity to shift their usage patterns between given time periods. Those households should not be disadvantaged by their inability to participate or by tariff designs that may benefit households with more flexible usage patterns. This is an example of why it is vital to ensure consumers are well-informed about tariff and technology options.

The principle of informed consent becomes critically important in situations where complex options are offered by new and unfamiliar technology – and in which consumers may make decisions that are detrimental and costly, based on misunderstanding or on misleading information.

We therefore welcome new technologies with some caution – and call on the *Energy White Paper* to not only address these issues carefully, but also to ensure that consumer education is front and centre in all activity in this policy space.

## Gas

While gas is not widely available in Tasmania, an increasing number of households are connecting to gas where it is available due to its current lower cost as a household energy source. Housing Tasmania (the State Government public housing provider) has for several years had a policy to replace wood heaters and electric space and hot water heaters with gas appliances when existing appliances fail and where the gas network runs by the property. This policy has seen the spread of gas into more low-income households in Tasmania (and not necessarily as a product of choice).

The *Energy White Paper* must address the issue of the pressure on Australian domestic gas prices that is expected to result from the development of liquefied natural gas export facilities on the East Coast. There is a concern that local prices will rise significantly as Australian-based exporters attract high prices from overseas buyers.

If this eventuates as predicted, many low-income households across the Eastern states, and especially in Victoria where gas use is very widespread, will be seriously affected. In Tasmania, the numbers are relatively small but higher gas prices will still have a serious impact on those low-income Tasmanians affected.

TasCOSS does not have expertise in this area but recognises that the Australian Government will have options available to it to mitigate the price pressure resulting from increased LNG exports from Eastern Australia. These include requiring that a domestic reserve of gas be maintained for local use at local prices; imposing a 'resource rent' tax on gas exporters that is directed to alleviating domestic price rises; providing gas at discounted 'social tariffs' for low-income households; and so on.

We look forward to seeing discussion of this issue in coming months and to seeing it fully addressed in the *Energy White Paper*.

## Conclusion

We hope our comments are useful in the development of a new *Energy White Paper*, and we look forward to further opportunities to participate in this significant process.

This submission was produced by a project funded by the Consumer Advocacy Panel ([www.advocacypanel.com.au](http://www.advocacypanel.com.au)) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.