



**Household Energy
Efficiency Initiatives:
creating jobs, stimulating
our economy and lowering
power bills**

2021/2022

**TASCOSS BUDGET
PRIORITIES STATEMENT**



TasCOSS

**INTEGRITY
COMPASSION
INFLUENCE**



The Tasmanian Council of Social Service (TasCOSS) is the peak body for Tasmania's community services industry.

Our Mission is to challenge and change the systems, behaviours and attitudes that create poverty, inequality and exclusion.

Our Vision is of one Tasmania, free of poverty and inequality where everyone has the same opportunity.

This Budget Priorities Statement reflects the expertise of our members and advocates, research and analysis, and the lived experiences of energy consumers.

EXECUTIVE SUMMARY

Energy is an essential service — one that is fundamental to community, family, individual health and wellbeing and overall economic activity.

This Budget Priorities Statement identifies household energy efficiency initiatives targeted to Tasmanians on low incomes as priority actions to improve energy affordability and lower power bills.

Investing in energy efficiency initiatives for low income households will create jobs, stimulate our economy in the post-COVID-19 recovery, lower emissions, help to achieve the State Government's renewable energy goals and improve the health and wellbeing of Tasmanians.

Our goals and recommendations build on the State Government's \$15 million public housing heating and energy efficiency initiative, through a bold program of investment in household energy efficiency that extends the benefits of energy efficiency upgrades

to Tasmanians on low incomes, regardless of whether they are in public housing, community housing, private rentals or owner-occupied homes.

Our proposals will create around 4,000 jobs for Tasmanians, retrofit 85,000 Tasmanian homes with energy efficiency upgrades, save households over \$45 million every year on energy bills and inject an additional \$475 million into the Tasmanian economy.

In Tasmania, around 59,000 households are experiencing energy poverty. Living in energy poverty forces low income households to restrict energy consumption by avoiding basic activities like showering and using heaters, as well as resulting in high proportions of income being spent on energy and the inability to pay other bills.

Priority needs to be placed on supporting Tasmanians with equitable access to affordable, safe and efficient energy all year round, regardless of their social or economic circumstances.



KEY ISSUES

“Improving energy efficiency is one of the most cost-effective ways for households to take control of their energy use, reduce their energy bills, improve their health and help take action to combat climate change ... The Government will continue to help low income households lower their electricity bills by helping them invest in energy efficiency products for their homes.”

— TASMANIAN RENEWABLE ENERGY ACTION PLAN¹

Improving household energy efficiency

The average energy efficiency rating of existing homes in Australia is only 1.7 stars compared to 6.1 for new homes.² The energy efficiency standard for new homes is increasing to 7 stars in 2024. In Tasmania, existing dwellings have an average star rating of 4, with 65% of dwellings 3.5 stars or less. This compares to 99% of new dwellings since 2016 that have a star rating of 6 or above.³

Energy efficiency upgrades that will improve the star rating of housing can include, but are not limited to, reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), insulation, draught sealing, ceiling fans, appliance replacement, lighting and solar systems.

Improving housing energy performance has multiple benefits for people, the community, the electricity grid and governments.

The benefits of energy efficiency initiatives

Investing in household energy efficiency initiatives for Tasmanians on low incomes will improve energy affordability, assist our COVID-19 recovery and support the State Government's long-term plan for:

- ✕ Lowering power bills and easing cost of living pressures,
- ✕ Job creation and economic stimulus,
- ✕ The Tasmania First Energy Policy,
- ✕ The Tasmanian Renewable Energy Action Plan; and
- ✕ Improved health and wellbeing.

Emergence of household energy efficiency initiatives

State governments around Australia are making significant investments in enhancing the energy performance in residential housing and small businesses, particularly with a focus on renewable energy.

The State Government committed \$15 million in the 2020/2021 Tasmanian Budget for public housing heating and energy efficiency initiatives. In announcing this investment, the Treasurer, Hon Peter Gutwein MP, confirmed that energy efficiency initiatives “ease the cost of living pressures for our public housing tenants.”⁴ The Minister for Housing, Hon Roger Jaensch MP, reiterated the public housing energy efficiency initiative will “ease the cost of living pressures for tenants, reduce emissions and create jobs.”⁵

The South Australian Government recently announced it would trial a “State Government backed project aimed at reducing energy use for hot water systems at peak times to help manage grid stability and lower costs” by “using solar to power hot water systems and support South Australia's energy grid.”⁶

1 State Government 2020, Tasmanian Renewable Energy Action Plan, Department of State Growth.

2 ACOSS 2019, proposal for a NLEPP: National Low Income Energy Productivity Program (Joint Proposal for Economic Stimulus Healthy & Affordable Homes), Appendix A.

3 CSIRO 2021, States and territories — Australian housing data.

4 Hon Peter Gutwein MP 2020, 2020/2021 Budget Speech, House of Assembly, 12 November 2020.

5 Hon Roger Jaensch MP 2020, Record investment in housing continues to help vulnerable Tasmanians, State Government media release, 12 November 2020.

6 Hon Angus Taylor MP 2021, Using solar to power hot water systems and support South Australia's energy grid. Federal Government media release, 6 February 2021.

The Victorian Government, in partnership with industry, invested in the Victorian Property Fund Environmentally Sustainable Housing Funding Round to assist registered community housing organisations to carry out a range of energy efficiency improvements to their properties, aiming “to improve the environmental sustainability of Victoria’s social housing, increase the thermal comfort of tenants’ homes, reduce utility bills for tenants and community housing organisations and lower carbon emissions.”⁷ This project, supporting over 1,400 families in community housing tenancies to benefit from savings from energy efficiency retrofits, includes solar photovoltaic (PV) systems and battery installations resulting in emission reductions.

Inequitable access to energy efficiency

Equitable access to the benefits of household energy efficiency is an important consideration, but is often denied for those on low incomes, renting or living in social housing.

Tasmanians on low incomes currently have access to the no-interest loan schemes (NILS) to invest in energy efficiency upgrades. NILS, and the funding committed to the scheme by Aurora Energy, is a valuable source of support for Tasmanians. However, this option is only suitable for households able to withstand the financial pressure of additional debt and repayments.

In most cases, the scheme is not appropriate for renters living in accommodation where energy efficiency products require the installation of permanent upgrades (such as draught reduction, heat pumps or insulation) and/or landlords are hesitant to act. TasCOSS is also aware, through advice from Renewables Tasmania, Aurora Energy and NILS, that available loan funds are being rapidly exhausted, leaving many households unable to access much needed support.

Increased State Government support and funding of energy efficiency initiatives for Tasmanians on low incomes is critical to ensure equitable access to energy savings and benefits for those Tasmanian households who need it most.

Reducing energy poverty

Living in energy poverty forces low income households to restrict energy consumption by avoiding activities like showering, using heaters, spending high proportions of their income on energy or being unable to pay bills.⁸

An estimated 28% of Australian households face energy poverty.⁹ In Tasmania, that equates to 59,000 households — or the entire northern region of the state — experiencing energy poverty.

TasCOSS considers energy an essential service — fundamental to community, family and individual health and wellbeing, as well as to overall economic activity. It is unacceptable that Tasmanians should have to make energy poverty-driven decisions.

In 2018-19 in Tasmania, more than 106,000 payment plans were put in place by our major energy retailer Aurora Energy.¹⁰ While acknowledging these are not necessarily unique customers or customers experiencing hardship, these numbers do indicate a large proportion of customers need some form of assistance with managing their energy bills. This existing issue has been exacerbated by the COVID-19 pandemic as people have had their incomes reduced combined with more time spent in their homes. This has resulted in greater numbers of Tasmanians at risk of energy poverty with vulnerable groups such as pensioners, low income households and those with mental and physical illnesses at greater risk.

7 Community Housing Industry Association 2019, [Energy efficiency in the Victorian community housing sector](#).

8 Wilkinson, S, Morris, A & Porto VC 2020, 'I can't save money for potential emergencies': COVID-19 lockdowns drove older Australians into energy poverty. The Conversation.

9 Brotherhood of St Laurence 2015, [Fuel poverty, household income and energy spending: an empirical analysis for Australia using HILDA data](#).

10 House of Assembly 2019, Government Business Scrutiny Committee — Aurora Energy, Uncorrected Proof Issue, Parliament of Tasmania, 3 December 2019, p. 5.

THE INVESTMENT

Improving household energy efficiency

Household Energy Efficiency Program (HEEP)\$125 million over four years

Providing free and equitable access to customer energy data

Subsidising the cost of energy retailer digital apps\$9.6 million over four years

Extending existing COVID-19 energy support measures

Maintaining access to the Customer Support Fund\$3.5 million in year one

Total = \$138.1 million over four years



GOALS AND RECOMMENDATIONS

1. Improving the household energy efficiency of existing social housing, homeowners and rental properties

The Proposal

The State Government establishes a Household Energy Efficiency Program (HEEP), co-funded with the Federal Government, that invests in energy efficiency upgrades for social housing, low income owner-occupied homes and rental properties.

These energy efficiency improvements would save low income households \$45.4 million on their power bills every year to spend elsewhere in the Tasmanian economy and contribute an additional \$475 million to the state's GDP.¹²

The Investment

\$125 million over four years.¹¹

The HEEP is targeted at low income households and will deliver:

- ✔ Investment in energy efficiency upgrades for all Tasmanian social housing, including public, community and Tasmanian Aboriginal housing (\$40 million),
- ✔ A grant program for homeowners to invest in energy efficiency upgrades to existing homes (\$120 million); and
- ✔ An incentives program targeted to landlords to improve the energy efficiency standard of existing rental properties (\$90 million).

TasCOSS estimates a total funding commitment of \$250 million across three program streams (see Table 1). We anticipate Federal Government co-funding of the HEEP a realistic possibility given national calls for increased federal investment in energy efficiency upgrades, however, the funding and implementation of HEEP should not be contingent on this co-funding. Where such funding is not provided, a similar scheme should be feasible with state funding which retains the focus areas outlined, albeit on a different scale.

The HEEP is estimated to generate jobs for 3,750 Tasmanian workers to retrofit 85,000 Tasmanian homes with energy efficiency upgrades. Retrofitted energy efficiency products can include, but are not limited to, reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), insulation and draught sealing, ceiling fans, appliance replacement, lighting and solar systems, where appropriate.

Table 1: Estimated Program Costs and Savings

Program stream	State Government investment	Federal Government co-contribution	Jobs created in Tasmania	Savings on energy bills in Tasmania	Economic stimulus in Tasmania
Social housing upgrades	\$20 million	\$20 million	600	\$5.35 million	\$76 million
Homeowner grants	\$60 million	\$60 million	1,800	\$16.05 million	\$228 million
Rental property incentives	\$45 million	\$45 million	1,350	\$24 million	\$171 million
TOTAL	\$125 million	\$125 million	3,750	\$45.4 million	\$475 million

¹¹ See Appendix A for full details of HEEP including costing assumptions.

¹² Ibid.

The HEEP will deliver a range of energy affordability, economic stimulus and wellbeing benefits including:

- ✕ **Lower power bills** — Cost of living pressures will be eased through \$45.4 million in savings on energy bills as a result of lower energy consumption and less energy waste due to more energy efficient homes.
- ✕ **Job creation** — Investment in energy efficiency initiatives is estimated to create 15 jobs for every million dollars of investment, resulting in 3,750 jobs estimated to be created for Tasmanians in training, auditing, installation, manufacturing and local retail.¹³
- ✕ **Economic stimulus** — \$250 million injected directly into the Tasmanian economy generating \$475 million in economic activity and creating jobs for Tasmanian suppliers and installers in every region of the state, together with energy cost savings of \$45.4 million every year generating additional economic activity.
- ✕ **Reduced emissions** — Through the replacement of inefficient wood, gas and other fossil fuel sources of heating with more energy efficient heat pumps.
- ✕ **Increased renewable energy outputs** — Expansion of solar installations will contribute to Tasmania's Renewable Energy Target of 200% by 2040.

- ✕ **Improved health and wellbeing** — Housing with poor energy efficiency performance is too cold in winter and too hot in summer, increasing health risks, especially for vulnerable residents and during extreme weather events. People are putting their health and wellbeing at risk when making the choice between going without heating or cooling to save money or foregoing food or medication to pay their energy bills. A recent study estimated that there are more cold-related deaths in Australia than Sweden primarily due to poor energy performance in homes.¹⁴
- ✕ **Reduction in homelessness and social inequity** — People on low incomes are more likely to live in energy inefficient housing and high energy bills can increase the risk of homelessness as tenants are often forced to choose between paying utility bills or housing costs.

TasCOSS calls on the State Government to invest in the Household Energy Efficiency Program to lower power bills and improve energy affordability for Tasmanians living on low incomes, while creating jobs and stimulating our economy in this post-COVID-19 recovery.

¹³ IEA 2020, [Sustainable Recovery](#).

¹⁴ Gasparrini, A et al. 2015, "Mortality risk attributable to high and low ambient temperature: a multi-country observational study," *Lancet*, vol. 386, p. 369.

2. Providing free and equitable access to customer energy data

The Proposal

The State Government subsidises the cost of energy retailer digital apps that enable access to customer data, energy usage or costs (such as the *aurora+* product fee of \$40 per year) to ensure Tasmanian customers — in particular low income households — have free access to products and tools that help to manage their energy usage, costs and savings.

The Investment

\$9.6 million over four years.¹⁵

In 2020, the state-owned company Aurora Energy launched its *aurora+* product to:

*“... Provide all residential customers with the option to gain a better understanding of their energy costs and conveniently be able to manage them via an app. The *aurora+* product makes energy easier for our customers by giving them visibility of their power usage, displaying hourly usage and costs every day.”¹⁶*

Aurora+ gives customers the option to monitor their energy consumption as regularly as they like and make smarter choices about when they consume energy according to peak and off-peak tariffs, along with the ability to adopt flexible rather than quarterly payment options.

The product is, however, an opt-in paid service and for many customers the app fee is a barrier to adopting the technology and a barrier to consumer empowerment. As a result, the benefits of managing energy usage and saving power are only available to those customers who can afford the additional fees.

Aurora Energy recognises the app fee is a barrier to customers enjoying the benefits of consumer empowerment. Their disclosure to the Energy Charter stated:

*“We acknowledge feedback we have received that some Tasmanians are unable to access *aurora+*, including those that are unable to afford the opt-in product fee or who prefer to be on a different tariff.”¹⁷*

While it is laudable that in response to this Aurora Energy offers free access to *aurora+* to hardship customers on their YES program, it is likely that there are many low income households not in that program experiencing financial disadvantage who would greatly benefit from the savings on power bills accessible through *aurora+*.

Aurora Energy has previously provided a free, online portal for customers to access their personal energy and metering data. It has been replaced with a request-based interface where customers can request energy usage data up to four times a year. This process is an unnecessarily laborious one, disadvantaging energy consumers who cannot afford the *aurora+* product fee and preventing access to the savings associated with informed choices around energy use to those who need it most.

¹⁵ See Appendix B.

¹⁶ Aurora Energy 2020, *Energy charter disclosure*, p. 5.

¹⁷ Ibid.

TasCOSS calls on the State Government to enable free access to customers' own energy data by subsidising the fees charged by energy retailers to use their digital app products, such as the *aurora+* product fee. This subsidy should also extend to other energy retailers who introduce similar paid apps.

There are clear benefits to energy efficiency and affordability by providing customers with free and simple access to their energy data. With better access to information and tools, customers will be empowered to better manage their energy usage and costs to make savings on their power bills.

In addition to empowering Tasmanians to reduce their energy bills, providing access to customer energy data would also go a long way to reducing 'bill shock' for many Tasmanian households — a troubling phenomenon that intensified during COVID-19.

Bill shock can occur because of estimated meter reads, increased consumption, lack of understanding of energy usage, or a combination. The fact that customers experience a 'shock' when they receive their power bill indicates they did not have the necessary tools, knowledge or understanding to differentiate between an estimate and an actual read, or visibility of their electricity usage to either adapt their usage or reasonably predict what their energy costs would be.



3. Extending existing COVID-19 energy support measures

The Proposal

The State Government ensures Aurora Energy is funded to extend existing COVID-19 energy support measures until at least 31 March 2022. This includes the moratorium on disconnections, freezing of debt and debt referrals, waiving of fees and charges and the Customer Support Fund.

The Investment

\$3.5 million in year one.¹⁸

COVID-19 has seen an unprecedented rise in Tasmanians experiencing hardship. There has been a significant increase in residential energy consumption with 30% of consumers surveyed by the Consumer Policy Research Centre (CPRC) spending more on energy in May 2020 than before the pandemic.¹⁹ This has translated into greater concerns about paying energy bills, which increased over the course of the CPRC's study.

The State Government acted quickly to support Tasmanian electricity customers during COVID-19. Aurora Energy adopted the Australian Energy Regulator's Statement of Expectations that provided important protections for electricity customers — such as a moratorium on disconnections and freezing of debt and debt referral — as well as establishing the \$5 million COVID-19 Customer Support Fund. However, there is no certainty these protections will continue beyond the expiration of the Statement of Expectations (due 31 March 2021).

COVID-19 has resulted in hardship for many in our community. As a result, growing numbers of Tasmanians have sought out extra support to keep on top of their energy costs. Additional income support has been available through the Coronavirus Supplement, JobKeeper and a range of COVID-19 stimulus measures, such as the Economic Support Payment. However, these supports will be withdrawn by the end of March 2021, leaving tens of thousands of Tasmanian households exposed to increased energy vulnerability and poverty.

TasCOSS calls on the State Government to extend COVID-19 energy supports to at least 31 March 2022, to ensure energy consumers are protected while the impacts of removing income supports are assessed. This will provide a glide path for residential consumers as the community inches towards greater confidence and certainty resulting from the rollout of COVID-19 vaccinations, an improvement in economic conditions and further improvement in the Tasmanian jobs market.

Such protection measures can have a deeply positive impact on the lives of Tasmanians experiencing hardship and at risk of energy poverty.

¹⁸ See Appendix C.

¹⁹ Consumer Policy Research Centre 2020, Consumers and COVID-19: from crisis to recovery.

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