Tasmanian Council of Social Service Inc.

TasCOSS 2021/2022 Budget Priorities Statement: Household Energy Efficiency Initiatives

Supplementary Figures and Tables

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Supplementary Figures and Tables

Appendix A: Household Energy Efficiency Program (HEEP) Streams and Costing

1. Key Assumptions

The table below shows that were the full HEEP investment of $250 million to be funded, TasCOSS estimates this would create 3,750 new jobs for Tasmanian suppliers and installers in every region of the state — a critical boost to a labour market which during to the COVID-19 pandemic experienced unprecedented volatility.[1] Additionally, low income households would save more than $45 million every year on their energy bills, with these savings available to be reinvested back into the local economy. The HEEP would generate an additional $475 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

Combined with the bill savings, **the HEEP provides for an economic benefit of more than $520 million to Tasmania's economy**, in addition to lowering energy bills, supporting Tasmania's renewable energy goals and improved wellbeing.

Program stream	Number of houses	Average upgrade cost	Total investment	Bill savings~	Jobs created	Economic stimulus
Social Housing Upgrades	10,000	$4,000	$40,000,000	$5,350,000	600	$76,000,000
Homeowner Grants	30,000	$4,000	$120,000,000	$16,050,000	1,800	$228,000,000
Rental Property Incentives	45,000	$2,000	$90,000,000	$24,075,000	1,350	$171,000,000
TOTAL	**85,000**	—	**$250,000,000**	**$45,475,000**	**3,750**	**$475,000,000**

Average cost of energy efficiency upgrade

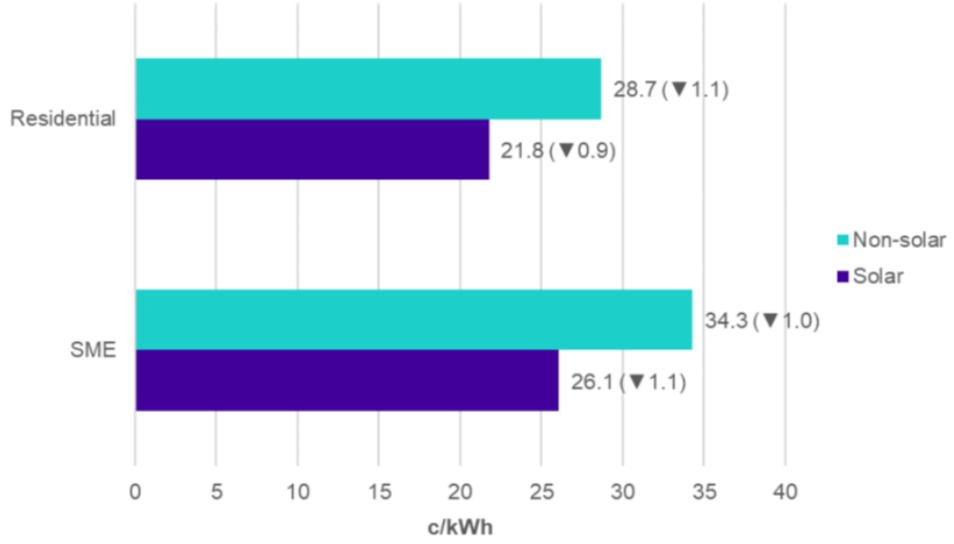
The Australian Council of Social Service (ACOSS) estimates an average cost of around **$4,000 per dwelling for retrofitted energy efficiency upgrades**, acknowledging some will need more or less investment depending on existing energy performance.[2] Retrofitted energy efficient products could include, but are not limited to: reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), draught sealing, ceiling fans, insulation, appliance replacement, lighting and solar photovoltaic (PV), where appropriate.

Solar installation

Installation of solar PV systems have been shown to significantly reduce energy costs, on average, by 24% for residential housing as shown in Figure 1. In addition to lower bills supported by feed-in tariffs, solar PV systems feed unused electricity into the grid. This solar generation has the additional benefit of contributing to Tasmania's renewable energy goals including the Tasmanian Renewable Energy Target.

[1] Nahum, D & Stanford, J 2020, Year-End Labour Market Review: Insecure work and the COVID-19 pandemic, Centre for Future Work.
[2] ACOSS 2019, proposal for a NLEPP: National Low Income Energy Productivity Program (Joint Proposal for Economic Stimulus Healthy & Affordable Homes).

Figure 1: *Median effective prices paid by solar and non-solar customers in 2019 Q3 (change from 2018 Q3)*[3]



Bill savings

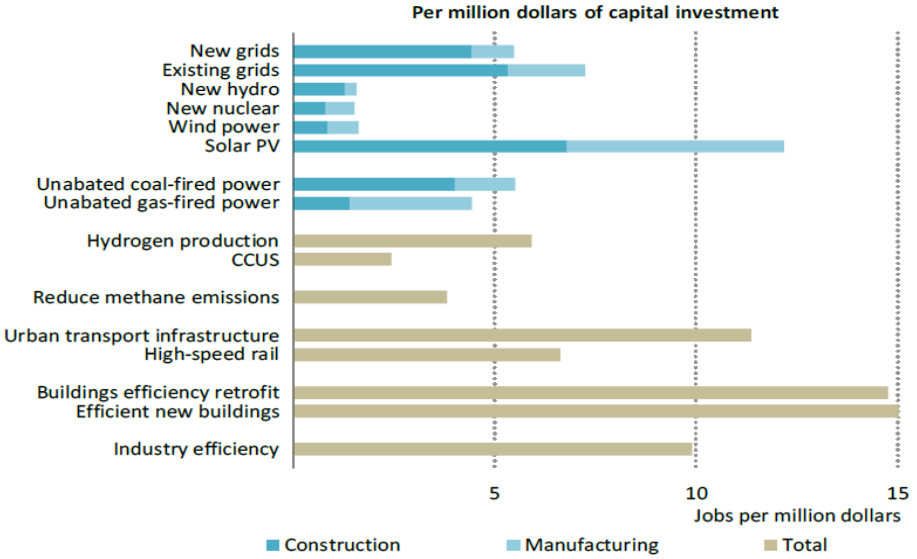
The 2020 Australian Competition and Consumer Commission (ACCC) Inquiry into the National Electricity Market found that nationwide, hardship and payment plan customers used more electricity from the grid in 2019 than other residential customer groups. These groups were least likely to have energy efficiency measures and faced heightened financial risks. While hardship and payment plan customers technically faced lower effective prices (due to concessions and other rebates), their higher usage due to low energy performance housing meant that their median annual bills in 2018–19 were up to 53% higher than the median annual bill for residential customers.[4] These data indicate that **enhanced energy performance resulting from efficiency upgrades could save customers approximately $535 per annum on bills.**

Jobs created

The International Energy Agency (IEA) estimates that **15 jobs are created for every $1 million spent on energy efficiency upgrades on existing buildings**, some of the largest numbers of jobs per unit of investment in the energy sector (see Figure 2).[5]

[3] Australian Competition and Consumer Commission 2020, Inquiry into the National Electricity Market — Supplementary Report
[4] Ibid.
[5] IEA 2020, *Sustainable Recovery*.

Figure 2: *Construction and manufacturing jobs created per million dollars of capital investment and spending by measure*[6]



Economic stimulus

In terms of overall economic activity, a study looking at the overall economic impact of energy efficiency investments in eight American states found that for **every dollar invested $1.90 was added to the state's GDP**.[7] Using this metric, the HEEP would inject an additional $475 million to our economy.

Co-funded investment

TasCOSS encourages the State Government to seek co-investment with the Federal Government to provide matching funds for the HEEP. Given the former COAG Energy Council agreed to a Trajectory for Low Energy Buildings — a national plan that sets a trajectory towards zero energy (and carbon) ready buildings, including existing homes — we believe there is a joint responsibility for investment in energy efficiency upgrades, affordable energy and healthy homes.

However, the funding and implementation of HEEP is not contingent on co-funding, with the State Government able to fully or partially implement this scheme.

2. Social Housing Upgrades

Social housing occupants (including in public, community and Tasmanian Aboriginal housing) experience high levels of financial and related disadvantage. Managing energy usage and power bills in social housing can mean making hard decisions which affect wellbeing, as described here by one Neighbourhood House employee on the West Coast of Tasmania:

> *"... A lot of people would ration power. The average electricity bill around here is minimum of $900 for the quarter, for only a few small heaters — that's $75/week just for heat. Many houses are not insulated and have holes in the walls, so people will only heat one small part of house and only heat at night. Electricity bills usually*

[6] IEA 2020, *Sustainable Recovery*.
[7] Southeast Energy Efficiency Alliance 2013, The Economic Impact of EE Investments in the Southeast.

lead to a flood of people needing assistance from the [Neighbourhood] House and there's never enough money to help them."

TasCOSS proposes an expansion of free energy audits (currently offered by TasNetworks) for all social housing stock. This would contribute to the aims of the former COAG Energy Council's Trajectory for Low Energy Buildings, to test rating tools and build a database of the energy performance of Australian housing stock. Based on audit recommendations, social housing should be retrofitted with energy efficiency upgrades as described above.

Costing

Recent numbers put the social housing stock in Tasmania at around 13,000 dwellings, of which approximately 7,000 are Housing Tasmania stock, 6,000 are community housing and 300 are Tasmanian Aboriginal social housing.[8] Accounting for a percentage of houses that may already be energy efficient, we estimate about 10,000 properties would meet the criteria for an energy efficiency upgrade. Per the costing assumption above of $4,000, we estimate an investment of approximately $40 million over four years.

This investment of $40 million is estimated to create 600 new jobs for Tasmanians and $5.35 million in bill savings every year for households to spend in other areas of our economy, as well as an additional $76 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

3. Homeowner Grants

Where household energy performance is poor, homeowners on low incomes are likely to be using a large proportion of their income to pay utility bills, thus having to either sacrifice wellbeing by reducing energy consumption or making cuts on spending elsewhere. This was a commonality among Tasmanians consulted during the 2020 TasCOSS Good Life project:

"I don't use the heater — it's too expensive. It's ridiculous."

"I still have to be so careful with money. Energy is the key expense. I have to be very careful with power use."

TasCOSS proposes a grant program be established to enable homeowners on low incomes to access energy audits, energy efficiency upgrades as described above and solar PV installations. We acknowledge opportunities provided to support energy efficiency upgrades through other schemes, including NILS, Tasmanian Energy Efficiency Loan Scheme (TEELS) and Power$mart Homes. However, there is still likely to be a large proportion of homeowners on low incomes who have not accessed, or are ineligible for such programs.

Costing

According to ABS 2016 Census data, TasCOSS estimates there are around 40,000 homeowners on low incomes in Tasmania (income of $800/week or $41,600/year).[9] Accounting for a percentage of households that may already be energy efficient or have accessed previous schemes, we estimate about 30,000 houses would meet the criteria for an energy efficiency upgrade. Per the costing assumption above of $4,000, we estimate an investment of approximately $120 million over four years.

[8] Housing Tasmanian data request, 18 September 2019.
[9] Australian Bureau of Statistics 2016, Census TableBuilder.

This investment of $120 million is estimated to create 1,800 new jobs for Tasmanians and $16.05 million in bill savings every year for households to spend in other areas of our economy, as well as an additional $228 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

4. Rental Property Incentives

Renters in the private rental market may experience barriers to accessing energy efficiency schemes. The median rent for a home in Hobart has risen 27% over the past three years. Tenants in the private rental market are, on average, spending more than a third of their household income on housing (the highest percentage of any capital city).[10] Housing stress forces people to choose between basic needs — whether to pay a bill, pay the rent or eat healthy food. As one community member told TasCOSS:

> *"My daughter in law got herself into trouble because she couldn't pay the Aurora [Energy] bill. She ended up cut off from Aurora because she couldn't afford the rent plus bills. She was offered a payment plan, but it was still over a thousand dollars she had to find. She didn't want to ask for help. She's a young mum and wanted to prove that she could do it on her own. Eventually she moved in here with me."*

TasCOSS proposes existing rental properties be retrofitted with energy efficiency upgrades. To support landlords to comply and ensure costs are not passed on to renters, financial incentives should be offered to landlords to encourage investment and uptake. Specifically, TasCOSS recommends the State Government offer to co-fund with landlords the cost of upgrades through grants of up to $2,000 for each rental property administered over the next four years. To be eligible, landlords must demonstrate having undertaken an energy audit of their existing rental property(ies) and provide an estimated cost for the retrofitting energy upgrades, of which the government grants will fund half (up to $2,000 based on the above estimated costing assumptions of approximately $4,000 per dwelling).

As this incentives scheme rolls out over 2021-25, priority should be given to those landlords who demonstrate their tenants hold a concession card. To prevent an unintended consequence of renters on low incomes facing increased rents following the upgrades, TasCOSS endorses ACOSS's NLEPP recommendations of restricting the level of rent on the property for two years at either:

a) Rent at the time of accepting the grant plus CPI; or
b) An assessed market rent for the property, whichever is lower.

This limitation on rental price increases should be combined with a commitment by landlords that the property continues to be leased to the existing tenants on low incomes for at least three years. Where further support for landlords may be needed, we recommend TEELS also be reinstated to further support landlords and other Tasmanians to upgrade their household energy performance.

Costing

Using ABS 2016 Census data, TasCOSS estimates there are around 55,000 rental properties in Tasmania.[11] Accounting for a percentage of properties that may already be energy efficient and/or landlords choosing not to access the scheme, we estimate about 45,000 dwellings accessing an incentive to retrofit energy efficiency upgrades. Per the costing assumption above of $2,000, we estimate an investment of approximately $90 million over four years.

[10] University of Tasmania 2019, Tasmanian housing update.
[11] Australian Bureau of Statistics 2016 Census, TableBuilder.

This investment of $90 million is estimated to create 1,350 new jobs for Tasmanians and $24 million in bill savings every year for renters to spend elsewhere in our economy, as well as an additional $171 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

Appendix B: Retailer Digital App Subsidy

The State Budget allocation of $9.6 million over four years is based on the following estimates and assumptions:

Aurora Energy currently charges $40 per year (11 cents per day) for its *aurora+* digital app. In a submission to the Australian Energy Market Commission in February 2021, Aurora Energy advised there are over 85,000 advanced meters installed across Tasmania with more than 27,000 customers using the digital product *aurora+*.[12] This equates to a penetration rate of around 32% of advanced meter customers using the *aurora+* app. Aurora Energy further advised its rollout schedule for advanced meters over the next year is 6,000 per month.

With a penetration rate of 32% and a rollout schedule of 72,000 advanced meters per year, we estimate the subsidy required as:

Year	Number of advanced meters	Penetration of digital app customers	Current value of annual app fees	Annual cost
1	85,000	27,000	$40	$1,080,000
2	157,000	50,240	$40	$2,009,600
3	229,000	73,280	$40	$2,931,200
4	280,000	89,600	$40	$3,584,000
TOTAL COST				**$9,604,800**

NB: *This State Budget allocation is the value of the subsidy to Aurora Energy for providing free access to its aurora+ digital product. This estimate does not take into account an expansion of digital products by other energy retailers into the market or a higher rate of digital app penetration.*

[12] Aurora Energy 2021, Australian Energy Market Commission submission.

Appendix C: Extending COVID-19 Energy Support

The State Budget allocation of $3.5 million is based on the following estimates and assumptions:

Aurora Energy established a $5 million Customer Support Fund to help customers pay their energy bills during the pandemic, through bill relief, waiving fees or charges and freezing debt, in addition to a range of other support measures. Other support measures included a moratorium on disconnections in accordance with the Australian Energy Regulator's (AER) Statement of Expectations.

Advice from Aurora Energy to its Community Consultation Forum on 12 February 2021 was that after 11 months in operation, the Customer Support Fund had $3.5 million remaining to be expended. The AER's Statement of Expectations is due to end on 31 March 2021 and there is no certainty customer protections will be extended beyond that date.

TasCOSS proposes the 2021/2022 State Budget makes funding available to Aurora Energy to continue supporting customers experiencing financial difficulty through to 31 March 2022. This includes extending existing COVID-19 energy support measures and protections under the AER's Statement of Expectations, in particular the moratorium on disconnections and freezing of debt and debt referrals.