



Tasmanian Council of Social Service

TasCOSS submission on Draft *Tasmanian Energy Strategy*

February 2015

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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Introduction

TasCOSS welcomes the draft *Tasmanian Energy Strategy* and the opportunities provided to contribute to its development. TasCOSS has been involved in this process both through providing a submission on the *Energy Strategy Issues Paper* in September last year and through our representation on the Energy Working Group.

We will not repeat the recommendations we made in our previous submission, but refer the Energy Strategy team in the Department of State Growth (DSG) to that submission and our recommendations therein, as those recommendations remain both relevant and current.

In this submission we will comment on the strategic actions proposed in this draft *Tasmanian Energy Strategy* that are directly relevant to the low-income, disadvantaged and vulnerable energy consumers for whom we advocate. These actions relate to issues of price, affordability, regulation, tariffs, gas consumer protection, concessions and other assistance measures.

While we do not address in this submission proposals associated with the use of energy to facilitate state growth or renewable energy opportunities, we reiterate the call made in our previous submission for careful consideration of the inter-related nature of energy policy and the consequences of all policy decisions (including unintended consequences) on all consumers, and especially on vulnerable consumers.

Actions – making energy work for people

Action 1

Monitor the level of competition in the small customer segment of the Tasmanian electricity retail market with recommendations (including potential additional reforms) made where necessary to facilitate (further) development of a competitive market.

TasCOSS has previously expressed doubts that retail competition will significantly reduce electricity costs for Tasmanian households. In fact we have noted that the declaration of a competitive retail market in Tasmania has actually added costs to the current regulated retail price through a higher retail margin and allowance for retailer costs associated with 'customer acquisition and retention'. Tasmanian consumers now pay these costs without any benefits of competition.

Furthermore TasCOSS does not support any move to interfere with the current electricity price regulation regime in order to facilitate the development of a competitive market in Tasmania. TasCOSS would strongly oppose, for instance, any move to deregulate retail prices, or to allow headroom for higher retail margins within the regulated price stack in an effort to attract competing retailers to

Tasmania. TasCOSS believes that such actions would defeat the primary purpose of retail competition for consumers, that is, lower prices.

Action 6

Review State regulatory instruments that apply to Tasmania's energy supply chain, and remove "unnecessary" red tape and complexity to reduce costs for consumers.

TasCOSS has recently made a submission to the Department of Treasury and Finance in relation to its *Review of the role of the Tasmanian Economic Regulator* (TER). TasCOSS believes that a number of the changes proposed in that review's *Issues Paper*, if implemented, would undermine not only the independence of the TER, but also the transparency and accountability of the state-owned electricity supply companies. As a consequence, TasCOSS strongly recommended (among other things) that the independence of the TER be maintained and that the TER continue to report regularly and frequently on comparative retail prices and the performance of the State's energy supply businesses, including retail gas businesses.

TasCOSS believes that the removal of "unnecessary" regulation can have consequences that are detrimental to consumers, as regulation is largely intended to protect the interests of consumers. TasCOSS contends that great care must be taken by governments when identifying as "unnecessary" any regulatory functions. This is particularly relevant to governments which also own the companies that are the subject of regulation.

We refer the Energy Strategy team in the Department of State Growth to the full TasCOSS submission to the *Review of the role of the Tasmanian Economic Regulator*.¹

Action 8

Identify any impediments to a customer led take-up of smart meters and other demand side enabling technologies by small customers in Tasmania (including assessing the impact on customers).

While TasCOSS understands the potential that smart meters (and other demand side enabling technologies) have to facilitate a variety of innovative tariff offerings, including more cost reflective tariffs, we are concerned that the cost of smart meters will be prohibitive to many Tasmanian households living on low incomes.

We fear that as the result of a customer led roll-out of smart meters, a two-tiered system may emerge in Tasmania wherein those who can afford enabling technologies, including smart meters, will have access to potentially cost-saving tariffs and those who cannot afford to invest in a smart meter will be left on a less

attractive and possibly more expensive standing offer-type tariff. This would result in an unwelcome situation in which “the poor pay more”.

A recent Australian Council of Social Service (ACOSS) report on poverty in Australia estimated that 15.1% of Tasmanians are at risk of poverty,² in addition, we know that a third of Tasmania’s population receive the majority of their income from Australian Government income support payments. There are clearly many Tasmanians for whom the cost of a smart meter would be competing for very limited financial resources with more imperative demands such as rent, food, clothing, transport, health care costs and educational expenses.

In addition, more than a quarter of Tasmanian dwellings are rental properties³ – including private, public and social rental housing. Tenants of rental properties are unlikely to have the authority to have a smart meter installed in the property they rent, even if they were able to afford it.

The risk of a two-tiered system emerging should be of concern to the State Government and TasCOSS would be willing to work with the State Government to explore ways that this might best be avoided.

Action 9

Investigate the likely impacts in Tasmania associated with the introduction of various cost-reflective tariffs in the small customer market, including impacts on the electricity supply system and on customers (particularly vulnerable customers).

This is an important action in our view as evidence from research on the impact on households of a variety of tariff options suggests mixed, and possibly conflicting, outcomes. Therefore, further careful investigation of likely impacts is both warranted and welcome.

TasCOSS is concerned that the move to introduce more cost-reflective tariffs, as required by a recent network pricing rule change, may result in higher fixed charges as part of a new tariff mix. This concerns us for two reasons. Firstly it penalises low consumption consumers, many of whom are also low-income consumers. It is our understanding that the majority of concession customers use less electricity than average users.

According to TER’s *Energy in Tasmania – Performance Report 2013-14*, approximately 45 per cent of all residential customers receive a concession.⁴

Secondly, a related issue is that tariffs with high fixed charges make it more difficult for consumers to save money by reducing their usage through energy efficiency measures and behaviour change. This in turn works against the Government’s focus in this draft *Tasmanian Energy Strategy* on increasing the energy efficiency of

dwelling and promoting energy saving behaviour as a means of reducing electricity bills for vulnerable customers.

In light of a probable move to higher fixed charges within electricity tariffs, TasCOSS recommends that the Government consider reconfiguring the electricity concession in the form of a two-part concession: one part that provides a flat-rate concession on the fixed component of a bill, and the other part that provides a percentage-based concession on consumption charges.⁵ Such a concession would assist concession recipients to not only better afford their energy costs, but also to save money by reducing their usage. It would also enhance the equity of Tasmania's electricity concession, as we have argued in our previous submission on the development of a Tasmanian Energy Strategy.

TasCOSS is also concerned about the effect on vulnerable consumers of the probable introduction of time-of-use tariffs. As mentioned above, access to the enabling technology is a serious issue for those low-income consumers who are able to take advantage of time-of-use tariffs. We believe that there is also a sizable cohort of vulnerable consumers who would not be in a position to take advantage of time-of-use tariffs due to their inability to change their electricity use to times of the day with cheaper tariff rates. This consumer group is not homogenous and might include families with small children, people living with a serious illness or disability, and people who are frail and aged. All would be disadvantaged by time-of-use tariffs that have higher costs for peak use periods.

TasCOSS is aware that this disadvantage might also be addressed through a concession or other assistance system, and would be willing to work with the Government and energy companies to explore options for appropriate assistance.

Action 10

Monitor the effectiveness of energy concession arrangements to ensure that vulnerable Tasmanians continue to be properly supported.

As mentioned above, TasCOSS is aware that changes to energy tariffs may require alterations to the current concession arrangements and welcomes this action. We have long recommended a modification to the concession to increase its equity and efficacy.

TasCOSS believes that while Tasmania's current electricity concession provides genuine assistance to many in need, there are still concession recipients experiencing serious financial hardship.

TasCOSS contends that the number of concession customers being disconnected is too high – 58% of disconnected customers were in receipt of concessions in the first quarter of 2014-15, and that too many concession customers are needing the assistance of Aurora Energy's Hardship Program (concession customers comprised

80% of the total numbers of customers in the Hardship Program in the first quarter of 2014-15).⁶ These figures suggest to us that a significant number of concession customers may not be receiving the type and level assistance that they need to avoid hardship.

TasCOSS hopes that an effective monitoring process will demonstrate how assistance to vulnerable customers can be improved.

In our previous submission we called for access to the electricity concession to be extended to eligible consumers who do not purchase their electricity supply from retailers, but from on-sellers of various types (also known as 'exempt' or embedded networks). This group includes some of the most vulnerable consumers, and include those who live permanently in caravan parks and some retirement villages, as well as temporary residents of supported and crisis accommodation facilities.

We reiterate that recommendation and refer the Energy Strategy team in DSG to our previous for a detailed discussion of this issue.

Action 11

Implement a program aimed at improving the energy efficiency of Tasmania's existing building stock and that reduces energy bills for Tasmanian vulnerable households.

Action 12

Provide information on the efficient management of energy for businesses and households.

TasCOSS is very pleased to see these as a priority actions within the *Tasmanian Energy Strategy*. As we have stated in past submissions, TasCOSS strongly believes that increasing the energy – and thermal – efficiency of Tasmanian houses is the single, most effective and long-term measure that can be undertaken to address energy affordability for low-income households. However, as discussed above, this is contingent on a tariff system that has a sufficient proportion of variable costs to allow for real savings to be achieved by reducing usage.

In our previous submission to this *Energy Strategy* process, we strongly recommended that the Government re-introduce – and extend – successful energy efficiency programs aimed at low-income households. We reiterate that recommendation here. These programs not only provided low-cost retro-fitting to dwellings, but also advice and support to householders, and resulted in significant cost savings.

TasCOSS would be very keen to see these programs incorporate the fitting of ceiling insulation where appropriate, as we understand that insulation is an extremely

effective energy efficiency measure, and that many Tasmanian homes remain un-insulated.

Action 13

Improve customer information to assist customers in understanding what drives their energy bills and ensure they have the basic information required to evaluate retail product options.

TasCOSS enthusiastically welcomes this action. We have previously recommended that the Government conduct a public information campaign on energy issues for Tasmanian consumers. Retail competition (when and if it eventuates for residential customers in Tasmania) will be new to most Tasmanians who will require information about how competition works and how to assess which market offering will best suit their circumstances.

We see information provision as an important role of the Tasmanian Government as the body responsible for the introduction of full retail competition, to be delivered in conjunction with the Australian Energy Regulator and with participating retailers.

Action 17

Monitor gas market developments and their impacts and work with the Australian Government and other jurisdictions to ensure supply constraints are addressed as quickly as possible, including through promoting capacity trading and price transparency in the market, to ameliorate forecast commodity price increases.

TasCOSS sees this as an important action in light of forecast increases in gas prices. In our recent submission to Treasury on its Review of the role of the Tasmanian Economic Regulator, we recommended that,

The TER provide regular, annual reports on residential gas prices in Tasmania, including a comparison report of the retail prices available to Tasmanian residential customers.⁷

In this way, Tasmanian residential consumers, as well as Government and policy makers, will be aware of price increases over time. While the Australian Energy Regulator provides this information for other states and territories, information about Tasmanian gas prices is absent.

TasCOSS is concerned that the forecast steep increases in gas prices, along with what we consider inadequate customer protection for gas customers, may adversely affect vulnerable gas customers. We therefore agree that the Government has an important role to play in ameliorating the impact of rising gas prices on Tasmanian gas customers.

Action 18

Evaluate the effectiveness of gas customer protections and consider the costs and benefits of regulatory and non-regulatory approaches to address any identified gaps.

While TasCOSS supports and welcomes this action, we believe that the timeframe provided for it in the draft Strategy is far too long. We contend that the provision of adequate consumer protections for Tasmania's gas customers is much more urgent than the proposed timeframe – of four years – allows.

TasCOSS strongly believes that gas customers should be provided with protections that are equal to those enjoyed by electricity consumers under the National Energy Customer Framework (NECF) – and we call for the Tasmanian Government to adopt the customer protection elements of the NECF as soon as possible.

Recently released figures indicate that disconnections from gas supply in Tasmania for non-payment almost doubled in 2013-14 and have almost quadrupled since 2011-12.⁸ This is of great concern to TasCOSS and should also be for the State Government, particularly since it is Housing Tasmania (HT) policy to connect public housing dwellings to gas for space heating and/or hot water where the network passes HT properties and where existing appliances fail and require replacement. This has resulted in about 1,700 public and social housing properties being connected to the gas network. The residents in these dwellings are very likely to be living on low incomes and are therefore vulnerable to financial hardship. They need adequate protections as early as possible.

Furthermore, forecast increases in gas prices in coming years make the provision of adequate protection for gas customers even more important and urgent.

Action 19

Undertake a review of gas legislation in Tasmania to ensure it is contemporary with market conditions and ensures administrative overlaps are removed.

TasCOSS believes that this action should be undertaken in the context of Tasmania adopting for gas customers, the customer protection elements of the NECF, including the retail performance reporting requirements. In the event that reporting requirements of the NECF are not also adopted, the *Tasmanian Gas Retail Code* should be amended to require gas retailers to report to the TER at quarterly intervals (as electricity retailers are required to do), as opposed to the current obligation to report annually.

This would ensure that hardship indicators (such as disconnection numbers, payment plan activities, late payment fees paid, etc) are reported on more frequently and can therefore be responded to quickly through appropriate assistance measures.

TasCOSS welcomes the development of a *Tasmanian Energy Strategy* as an opportunity to ensure not only that all Tasmanians benefit from Tasmania's clean, reliable, renewable energy supply, but also that the existing systems and programs that support vulnerable Tasmanians to maintain their household energy supply are appropriately augmented and improved, where necessary.

TasCOSS strongly believes that affordability of an adequate energy supply for all Tasmanians must be a central outcome of a new *Tasmanian Energy Strategy*.

Endnotes

¹ The submission is available on the TasCOSS website:

<http://tascoss.org.au/Portals/0/Documents/Publications/Submissions/TasCOSS%20submission%20on%20TER%20Review%20Jan15.pdf>

² ACOSS (2014) *Poverty in Australia 2014*, Sydney, ACOSS, p 29. Being "at risk of poverty" is defined as having an income below 50% of the median income .

³ Australian Bureau of Statistics (2011) *2011 Census of Population and Housing: QuickStats*, http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/6?opendocument&navpos=220 , accessed 11 Feb 2015.

⁴ Tasmanian Economic Regulator (2015) *Energy in Tasmania – Performance Report 2013-14*, Hobart, TER, p 131.

⁵ This concession type was proposed by Anglicare Tasmania and TasCOSS in their joint 2010 publication, *Making electricity affordable: a four point plan*, available on the TasCOSS website:

<http://tascoss.org.au/Portals/0/Documents/Publications/Reports/Making%20Electricity%20Affordable%20TasCOSS%20and%20Anglicare%202010.pdf>

⁶ Tasmanian Economic Regulator (2015) *Aurora Retail Overview* in "Projects on the Go: December 2014", presented at the OTTER Customer Consultative Committee meeting in December 2014.

⁷ TasCOSS (2015) *Review of the role of the Tasmanian Economic Regulator: TasCOSS submission*, Hobart, TasCOSS, p 11.

⁸ Tasmanian Economic Regulator (2015), *Energy in Tasmania – Performance Report 2013-14*, Hobart, TER, p 170 Table 13.6.