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Energy Strategy Submissions
Department of State Growth
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Draft Tasmanian Energy Strategy Submission

Anglicare Tasmania welcomes the opportunity to provide a submission to the Draft Tasmanian Energy Strategy.

Anglicare is the largest community service organisation in Tasmania, offering emergency relief, accommodation support, employment services, mental health services, acquired injury, disability and aged care services, alcohol and other drug services and family support. Most of our clients are on low incomes and many receive the lowest incomes of all – a Government pension or allowance. A number of our programs, including financial counselling, specifically support people on low incomes to manage costs associated with daily life. In addition, Anglicare's Social Action and Research Centre (SARC) conducts research, policy and advocacy work with a focus on the needs and concerns of Tasmanians on low incomes.

This submission draws on Anglicare's service delivery and research and policy work relating to access to energy for low income Tasmanians and what we can do to support and protect vulnerable customers.

Clients often tell our workers that they are struggling with the high costs of essential goods and services, including, and especially, electricity, and that they lack the means to pay. They describe the problem as two-fold: high prices and limited income.

The price of electricity increased at a faster rate for the period 2006 to 2011 than did the average weekly earnings for a fulltime adult worker in Tasmania or the Federal Government benefits provided for someone who is unemployed¹. While the price of electricity decreased in 2014², many in our community continue to struggle.

In addition, high numbers of individuals, couples and families are affected by low incomes in Tasmania, particularly the third of our population reliant on Federal Government pensions and

¹ Adams, D 2011, *At a Glance, A Cost of Living Strategy for Tasmania*, DPAC, Hobart; Australian Council of Social Service, undated, *\$35 a day: not enough to live on*, viewed 12 September 2014.

http://acoss.org.au/images/uploads/Newstart%20Allowance%20brochure%20FINAL_March%20version.pdf.

² Department of State Growth 2014, *Energy Strategy Issues Paper*, Tasmanian Government.

allowances. Of Tasmanians in the workforce, one third are employed only part time³ and average Tasmanian incomes for employed people are the lowest of any state or territory⁴.

Yet, due to our colder climate, Tasmanian households use more electricity than other States, with approximately 75 per cent of domestic electricity use being for space heating and hot water⁵.

A recent research project undertaken by Anglicare on cost of living pressures for low income earners supported the experiences we observe in service provision: that many electricity customers on low incomes are residualised from the mainstream market: that is, they are unable to afford adequate electricity and are inadequately protected by the current electricity concession⁶.

Underlying Anglicare's research and advocacy on this issue is the conviction that electricity is an essential service and that all Tasmanians should have access to adequate quantities of electricity for their safety, health and wellbeing.

For these reasons we welcome the Liberal Government's election promise to "provide relief to consumers"⁷ and the acknowledgement by the Draft Energy Strategy of the impacts our cooler climate, electricity price rises, high electricity use and inefficient building stock has particularly on vulnerable customers.

Our submission will now focus on the strategic actions suggested in the Draft Strategy.

4.1 Making energy work for people

4.1.1 Ensuring greater focus on customer outcomes

Anglicare fully supports the Government's view that "decision making in the future must have proper regard for the impact on people, households, families and businesses in our community"⁸. Anglicare's focus for the impacts of policies is that those most vulnerable in our community need protection and support.

4.1.2 Improving competitive outcomes for electricity consumers

The Strategy poses competition as the way that consumers can exercise greater choice and control. While this is one option, Anglicare argues that choice and control, such as weekly or monthly bills, which may be attractive to many people on low incomes, can also be embedded in a monopoly system.

4.1.3 Improved energy efficiency

A major challenge for Tasmanians on low incomes regarding their power bills is their capacity to invest in or control energy efficiency in their homes either because they are tenants or because of a lack of money. Many of our clients live in uninsulated or poorly insulated houses and rely on plug-in electric heating that is expensive to run. For clients who are accommodated in public housing, the Residential Tenancy Act exempts the State landlord from providing curtains to living areas which further exacerbates the cost of heating their home.

³ Australian Bureau of Statistics 2012, 'Part-time employment', *1367.0 State and Territory Indicators, 2012*, Australian Government.

⁴ Australian Bureau of Statistics 2012, 'Average weekly earnings', *1367.0 State and Territory Indicators, 2012*, Australian Government.

⁵ Electricity Industry Panel – Secretariat 2011, *Tasmania's Energy Sector – an Overview, Discussion Paper*, Tasmanian Government, pages 17, 18.

⁶ Flanagan, J & Flanagan, K 2011, *The price of poverty: the cost of living for low income earners*, Anglicare Tasmania, Hobart.

⁷ Department of State Growth, *Tasmanian Energy Strategy, Restoring Tasmania's Energy Advantage*, page 5.

⁸ Department of State Growth, *Tasmanian Energy Strategy, Restoring Tasmania's Energy Advantage*, page 8.

Anglicare therefore sees the development of Government-supported programs to improve energy efficiency for vulnerable customers as extremely important. Anglicare would be interested to help investigate ways that the Environmental Upgrade Agreements, described in the Strategy for commercial building owners (page 9), could be extended to cover residential rental properties.

4.1.5 Protecting vulnerable customers

Anglicare supports the provision of assistance to vulnerable customers through energy efficiency programs, concession schemes and flexible mechanisms for payment such as payment plans, hardship programs and Centrepay. We welcome the Strategy's commitment that any movement to cost reflective tariffs must be "matched with appropriate concession arrangements". However, with 2,780 residential customers on payment plans, 3,395 customers repaying a debt (at an average of \$642) and 1,222 customers on the Hardship Program (with average debt of \$1918)⁹, Anglicare questions the efficacy of the current arrangements for vulnerable customers. Of particular note are the 973 customers who receive an electricity concession but who entered the Hardship Program due to an unmanageable debt. With just 74 customers successfully completing the program in the July to September quarter, the vast majority of customers in the Hardship Program face ongoing significant financial hardship, which increases with every electricity bill.

Anglicare feels the hardship programs can be improved to better protect vulnerable customers. For example, while Aurora's YES Program aims to establish tailored payment plans and help customers reduce energy use, vulnerable customers would be better protected if the program lowered its expectations for the amount and speed with which households can change their electricity consumption and repay their debts. A further improvement would be to reward customers who are able to make consistent payments: for example, some utilities waive the third payment of a payment plan after two complete payments have been made.

There is a small but significant group of Tasmanians who are unlikely to ever meet the hardship program goals due to their intergenerational poverty and social and education status. Anglicare urges that we remove the expectation of full cost recovery from these customers rather than set this group of people up for long-term failure and ongoing conflict with their utility provider.

Options to improve protecting and supporting vulnerable customers should be thoroughly explored under the Strategy.

4.1.9 Actions – making energy work for people

In response to the actions listed on page 12, Anglicare supports the Strategy's aim to:

- Investigate the impacts of various cost-reflective tariffs, particularly on vulnerable customers (Action 9).
- Monitor the effectiveness of energy concessions (Action 10). We argue that the current concession is inadequate and needs to be restructured so that it effectively reduces financial hardship.
- Implement a program to improve energy efficiency of building stock, especially to reduce energy bills for vulnerable customers (Action 11). Anglicare would like the Strategy to also

⁹ Office of the Tasmanian Economic Regulator 2014, *Projects on the Go: December 2014*, Aurora Retail Overview Jul-Sep 2014.

investigate whether the Environmental Upgrade Agreements proposed (Action 14) could be extended to private and public residential rental properties.

- Provide information on energy efficiency (Action 12). We suggest that information specific for tenants and including low cost solutions form an important component of this action. Tasmania should establish programs similar to the HESS program whereby financial counsellors provide community education about energy use and strategies to manage household finances and assistance is provided for cost-effective and energy efficient modifications to the home.
- Assist customers evaluate retail product options (Action 13). Anglicare suggests that this information needs to be provided in plain English and be available in other languages.
- Improve efficiencies in public transport (Action 21).

4.2 Reducing the cost of delivering energy

4.2.2 Cost reflective pricing

Anglicare supports initiatives to limit electricity use in peak periods because of the positive impact this has on reducing expansion of the network and subsequently reducing power bills for all customers. However, we have concerns about cost reflective pricing:

- Cost reflective pricing tariffs are only cheaper for households who are able to switch their energy usage to outside the peak period¹⁰.
- The example provided in the Strategy showing that households in financial hardship in Victoria are adversely affected more by flat tariffs than by time-of-use tariffs fails to recognise major differences in energy use between Victoria and Tasmania. Victorian households consume just 60 per cent as much electricity as Tasmanian households. The majority of households in Victoria use gas for hot water and heating¹¹ whereas the majority of Tasmanian households use electricity for all household energy needs¹². Further, 50 per cent of electricity use in Tasmanian households is for space heating¹³ which is mostly needed during peak time, leaving less flexibility for households to shift their most expensive usage to another time of day. This analysis also fails to take into account that residential customers consume only around 20 per cent of the State's electricity¹⁴. This means that

¹⁰ Your Power QLD 2015, Energy pricing and economy rates, viewed 6 February 2015

<<https://www.yourpowerqld.com.au/energy-pricing-and-economy-rates/time-of-use-tariff>>

¹¹ Australian Bureau of Statistics 2011, 4602.2 - Household Water and Energy Use, Victoria, October 2011, viewed 6 February 2015

<<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4602.2Chapter200October%202011>>

¹² Australian Bureau of Statistics 2012, 4102.0 – Australian Social Trends, Household energy use and costs, September 2012, viewed 11 February 2015

<<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features10Sep+2012>>

¹³ Sustainable Living Tasmania 2007, Energy Use in the Typical Tasmanian Family Home, viewed 6 February 2015 <<http://www.sustainablelivingtasmania.org.au/content/documents/WebHomeenergy.pdf>>

¹⁴ Electricity Industry Panel – Secretariat 2011, *Tasmania's Energy Sector – an Overview, Discussion Paper*, Tasmanian Government, page 17.

residential customers shifting their time of use would have a relatively small real impact on peak demand.

4.3 Positioning Tasmania for the Future

4.3.3 Gas

Anglicare supports the Strategy's acknowledgement that the regulatory regime for gas needs to be adjusted to ensure the ability to obtain supply for its vulnerable customers. Given the decision by the public housing provider to connect tenants to the gas network for space and water heating, we urge the Strategy to go further to include retail price regulation for residential gas customers.

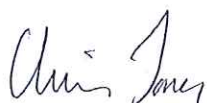
Summary of concerns

Anglicare argues for a layered response to the problem of electricity affordability and its impacts on vulnerable customers, including:

1. Restructure of the electricity concession;
2. Review of the tariff structure;
3. Targeted strategies to address the thermal efficiency of Tasmanian homes;
4. Development of a low cost social tariff for electricity to protect vulnerable customers from price increases¹⁵;
5. Bill smoothing to reduce 'bill shock' and reduce the likelihood of households choosing to go without other essentials, in particular food; and
6. Ensuring that the community service obligations of the electricity generating, distribution and retailing businesses protect vulnerable customers.

With the development of Tasmania's Energy Strategy we have the opportunity to increase opportunities for all Tasmanians to participate in and share the social and economic life of our community by making electricity more accessible and affordable for all. This would be best done by government, non-government and business communities working in collaboration to address cost of living pressures, including energy, as our core business.

Yours sincerely



Chris Jones
Chief Executive Officer

¹⁵ For details see Anglicare and Tascoss *Making electricity affordable: a four point action plan*, <https://www.anglicare-tas.org.au/sites/anglicare-tas.org.au/files/Making_electricity_affordable_a_four_point_plan.pdf>