



Queensland Council  
of Social Service

# *Submission to Issues Paper*

*Queensland Productivity  
Commission review on Electricity  
Prices*



16 November 2015

## **About QCOSS**

The Queensland Council of Social Service (QCOSS) is the state-wide peak body for individuals and organisations working in the social and community service sector.

For more than 50 years, QCOSS has been a leading force for social change to build social and economic wellbeing for all. With members from throughout Queensland, QCOSS undertakes informed advocacy and supports a strong community service sector.

QCOSS' key activities focus on providing effective policy advice, working to strengthen responsive community services and having productive partnerships with the community sector, government, private sector, academia, media and the broader community. This work is done with a Queensland free of poverty and disadvantage front of mind.

QCOSS, together with our members, provides a crucial advocacy role in a broad number of areas including:

- service practice and reform
- homelessness and housing
- early intervention and prevention
- cost of living pressures including low income energy concessions and improved consumer protections in essential services, and
- early childhood support for Aboriginal and Torres Strait Islander and culturally and linguistically diverse peoples.

QCOSS is part of the national network of Councils of Social Service lending support and gaining essential insight to national and other state issues.

QCOSS is supported by the vice-regal patronage of His Excellency the Honourable Paul de Jersey AC, Governor of Queensland.

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## Introduction

QCOSS welcomes the establishment of the Queensland Productivity Commission “the Commission” and in particular its objectives to drive economic growth and improve living standards across Queensland, and its commitment to open and transparent public consultation.

QCOSS has a particular interest in the Commission’s Electricity Price Inquiry and we appreciate the opportunity to provide our perspective on what we consider to be an ever-worsening electricity affordability crisis in Queensland. QCOSS’s information about this crisis, which we present in this submission, has been obtained from a number of different sources including feedback gathered from the community service sector at our Energy Literacy Workshops held this year across the state, as well as the results of an online survey of Queensland community service organisations conducted in early 2015. Their perspectives provide an insight into the increasing demand being placed on the community organisations from people struggling with electricity costs. This is also well-supported by the results of extensive research on energy affordability, including relevant work undertaken in other states.

As highlighted in the Issues Paper, Queensland electricity prices have increased significantly in the previous ten years, far in excess of CPI. In particular, fixed supply charges in Queensland have increased by \$380 per annum, or almost 440 per cent, since 2009.<sup>1</sup> The graph on page 7 of the Issues Paper highlights that sharp price increases continued in Queensland (23 per cent increase) in 2013-14, whereas the rate of increase in prices have stabilised or fallen in other states. The cost of basic necessities such as electricity has a disproportionate impact on the budgets of households with low incomes. It is the experiences of Queensland’s low income and vulnerable households that is our primary concern in providing this submission.

***“Generally, people are advising that they are unable to keep up with the increasing cost of electricity. Even when they are desperately trying to keep their energy usage down, their electricity bill continues to rise”***

*Youth and Family Support Worker, Rural Qld*

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<sup>1</sup> St Vincent de Paul (2015) *The NEM: Still Winging It* . Link can be found here: [https://www.vinnies.org.au/icms\\_docs/228265\\_National\\_Energy\\_Market\\_-\\_Still\\_Winging\\_It.pdf](https://www.vinnies.org.au/icms_docs/228265_National_Energy_Market_-_Still_Winging_It.pdf)

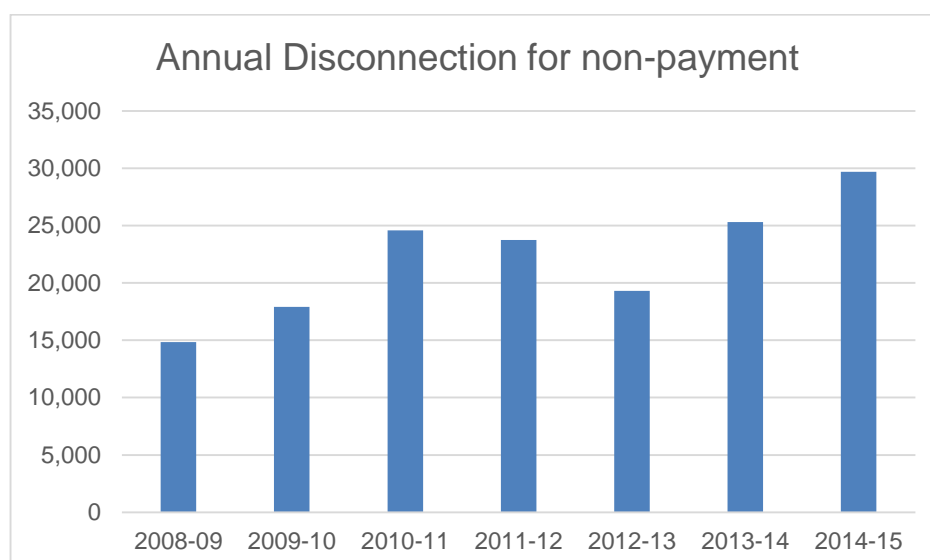
## Context

Data on the outcomes these excessive price increases have had on low income and disadvantaged households is not readily available, but some statistics can start to provide a picture of the impact.

The statistics released by the Queensland Competition Authority (QCA) on disconnection for non-payment and hardship program participation show an increasing trend of electricity debt being managed through hardship policies and growing disconnection for non-payment.<sup>2</sup> In 2014-15, 29,692 households across the state were disconnected for non-payment, which is the highest ever recorded in Queensland and represents almost double the disconnections since 2008-09. There are various reports which explore the range of flow-on impacts that disconnection from electricity can have on families and individuals.<sup>3</sup>

***“People are getting their electricity cut off, [which] did not happen as much in the past”***

*Disability Service Provider, Regional Qld*



As an essential service, it is critical that the electricity market is affordable and accessible to all. Disconnection and debt is a result of many households facing barriers to engaging in the market, due to financial or affordability issues, and often compounded by language and cultural barriers, low literacy and numeracy, disability, lack of control over energy efficiency and a lack of access to information via the internet and affordable mobile phone services. Many people are already struggling with the rising costs of their energy bills and risk being left behind as new technologies, tariffs and business models introduce more complexity.

<sup>2</sup> QCA, June 2015. Small Customer Disconnection, Hardship and Complaint Statistics. [www.qca.org.au/Electricity/Reviews/Market-reports-and-statistics](http://www.qca.org.au/Electricity/Reviews/Market-reports-and-statistics)

<sup>3</sup> Public Interest Advocacy Centre, April 2013. Cut Off III: The Social Impact of Utility Disconnection. [www.piac.asn.au/publication/2013/04/cut-iii](http://www.piac.asn.au/publication/2013/04/cut-iii)  
Consumer Action Law Centre, August 2015. Heat or Eat. <http://consumeraction.org.au/wp-content/uploads/2015/08/Heat-or-Eat-Consumer-Action-Law-Centre.pdf>

QCOSS has identified significant demand from community based organisations for increased support and access to information to assist disadvantaged and vulnerable people with electricity bills. While supporting people to navigate the energy market is not the core business for community sector organisations, reducing vulnerability is a major driver for their work and thus they are often the first point of contact for people struggling with their electricity costs.

In January and February 2015, QCOSS conducted a survey of 154 community service workers across the state in an effort to draw out these perspectives.

Respondents to the survey covered South East Queensland (39%) and regional urban centres (20%) as well as rural and remote locations (23%).<sup>4</sup> It also included a mix of responses across a range of services such as housing support (46%), emergency relief (29%), No Interest Loan Scheme providers (27%), family and domestic violence (25%), mental health services (21%) and financial counsellors (20%).<sup>5</sup> The target audience of services was broadly low income and disadvantaged people, although a number of respondents provided dedicated services specifically to Aboriginal and Torres Strait Islander people (9%), families (9%), people with a disability (7%), seniors (5%), young people (5%) and Culturally and Linguistically Diverse communities (3%).

The survey identified that energy costs were the most frequently nominated expense that most or all of their clients struggle with. This finding is consistent with those of other consumer surveys conducted this year.<sup>6</sup> The majority of responses to QCOSS's survey (76%) reported that all or most of the clients who present to community service organisations 'regularly' struggle to pay energy bills. They also believed that the situation has been getting worse for their clients, with over 75% of respondents reporting that the proportion of their clients struggling with energy bills had increased in the last 12 months.

When asked to describe how their clients were feeling in relation to managing their energy bills, 69% of respondents indicated their clients feel 'vulnerable', followed by 'in crisis' (55%) and 'confused' (29%).<sup>7</sup> Less than 3% felt that clients were 'neutral/stable'. None of the responses indicated clients felt 'confident' or 'in control'. Other comments provided included words such as: 'struggling', 'overwhelmed', 'anxious', 'angry' and 'frustrated'.

***"When I first volunteered four years ago, assistance with electricity bills was rarely mentioned. These days three out of four clients are having difficulty meeting the cost"***

*Emergency Relief Volunteer, SEQ*

***"More elderly people who have never accessed services are now needing assistance"***

*Service Provider, Regional Qld*

***"Every client states they are struggling to meet basic expenses. They have nothing left to 'cut out'. In the past there were a proportion of families who could afford electricity generally"***

*Domestic Violence Support Worker, SEQ*

<sup>4</sup> The remaining organisations indicated that they provided services state-wide.

<sup>5</sup> Some respondents provided a mix of services, multiple responses were permitted.

<sup>6</sup> CHOICE, July 2015. Consumer Pulse Survey: Australian Attitudes to Cost of Living. [www.choice.com.au/~media/ef9cbe615ba84432982b76715bf60b80.ashx](http://www.choice.com.au/~media/ef9cbe615ba84432982b76715bf60b80.ashx)

<sup>7</sup> Multiple responses were permitted.

In terms of what action people were taking to manage these costs, most of the responses were limited to how clients were *conserving* electricity by switching off appliances or going without essential use of electricity.

***“A lot of clients use torches and candles to try to reduce the power bills. People are scared of using too much power they cannot afford. The bills just seem to be going up beyond their capacity to pay”***

*Frontline Community Worker, Regional Qld*

***“Some [clients] advise that they only use candles at night so that they can try to keep the cost of the bill down. I know many elderly people that refuse to use the air conditioner and put their health at risk in very hot weather as they feel that they cannot afford the power bill”***

*Family Support Worker, Rural Qld*

Of the survey respondents, 35% said the majority of their clients lacked awareness about energy efficiency and 28% said all or most of their clients had poor quality housing and appliances contributing to large bills. Very few responses reported that they had seen clients who were in receipt of feed-in tariff payments for electricity generated by solar panels.

Respondents reported that their clients are also frequently unaware of concessions or hardship assistance that may be available to assist with their energy bills. Often it was not until they presented to the community service organisation that they were made aware of these options. Over two-thirds [67%] of respondents reported that clients were worried if they admitted to their retailer that they could not pay their bills, they would be disconnected, and over half [57%] reported clients were wary after having had a poor experience with a retailer in the past. One third of respondents [34%] believed their clients did not want to discuss their personal or financial situation with their retailer.

***“Clients are not aware that the retailer has an obligation to help them manage their bills via a payment plan, so feel there is no point in contacting a retailer. They can’t see a way out of the situation”***

*NILS Service Provider, SEQ*

***“Clients are often intimidated by calling the retailer, as they are in significant financial hardship and are unable to pay any amount toward the bill”***

*Tenancy Support Worker, SEQ*

These responses paint a picture of Queenslanders who are already experiencing disadvantage being overwhelmed, distressed and disempowered as they struggle to manage rising energy costs with limited access to trusted advice and support. It is from this context that we make this submission to the Commission’s Inquiry into Electricity Prices, which includes not only a focus on how to place downward pressure on prices, but also how to improve protections and boost the availability of support and advice specifically for those who are struggling the most. Further perspectives from the survey are shared throughout this submission.



## Productivity in the supply chain

### Generation

Page 17 of the Issues Paper outlines that there is a surplus of generation capacity which acts to suppress wholesale prices across the National Electricity Market (NEM). However, wholesale prices in Queensland have been higher than in other parts of the NEM,<sup>8</sup> as highlighted in comparison to New South Wales (NSW):

- Fixed price in NSW on the 2016 futures markets is \$48.81/MWh while it is \$15 higher in Queensland at \$63.70/MWh
- Fixed price in NSW on the (more volatile) quarterly market is \$51/MWh while in Queensland it is almost double at \$97/MWh.

QCOSS is concerned that wholesale prices in Queensland appear to be significantly higher than NSW and is pleased that the Commission is actively investigating the factors to explain these relatively high prices and seeking to understand how downward pressure could be applied to reduce them.

Based on this context, QCOSS supports the views of the Chair of the Australian Competition and Consumer Commission (ACCC), as highlighted in the Issues Paper, in regard to the merging of generation entities in Queensland. As Queensland appears to have relatively high wholesale prices, the Queensland Government should be actively looking to avoid any action that might risk further upward pressure on prices. QCOSS does not support actions which reduce competition in the Queensland wholesale market as we believe it unlikely that any savings made through efficiencies would translate into lower prices for consumers. We encourage the Commission to carefully weigh the costs and benefits of this proposal and in particular explore the impact that it would have on the effectiveness of competition in the retail market in South East Queensland (SEQ). QCOSS would be concerned if this proposal discouraged new entrants into the retail market, thereby also diminishing opportunities for consumers to benefit from competitive pressure on retail prices.

QCOSS anticipates that the Commission's Draft Report will provide greater transparency and analysis around prices in the Queensland electricity wholesale market in order to make appropriate recommendations. QCOSS looks forward to responding to these issues in our submission to the Commission's Draft Report.

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<sup>8</sup> Australian Financial Review, P15, (22 October 2015), *Qld power SOE merger on ice*.



## Distribution

Most of the significant increase in electricity prices over the past five years has been driven by spending by the government-owned electricity distribution businesses, Ergon Energy (Ergon) and Energex.<sup>9</sup> QCOSS actively participated in the Australian Energy Regulator's (AER) Queensland Distribution Revenue Determination 2015-2020. As set out in our Media Release on 29 October 2015<sup>10</sup>, we were disappointed with the AER's Final Decision as it will not result in any meaningful price relief for Queensland households over the next five years. The AER estimated that there would only be a \$95 reduction by 2019-2020 in the typical bill, which we consider a very minimal price reduction. Further, this is simply an estimated bill decrease and is subject to change if the cost of debt increases or the underlying consumption forecasts are too high relative to actual consumption over the next five years.

In our media release we did however welcome the Queensland Government's decision to direct the network businesses not to mount a legal challenge to the AER's Final Decision. This is an important and significant decision that will contain the risk of further price increases and avoid the uncertainty for consumers that an appeal to the Australian Competition Tribunal would create.

QCOSS and other residential and business consumer groups in Queensland have gone to some considerable effort in putting forward our views on the efficient and prudent costs of electricity distribution, and the importance of containing these costs in the interests of consumers. We refer the Commission to our submissions for a detailed outline of our views on these matters.<sup>11</sup>

In our view there are a number of key areas where there is further scope for greater cost savings, especially as the AER only made relatively small adjustments to Energex's and Ergon's revised capital expenditure (capex) and operational expenditure (opex) requests.<sup>12</sup> Further, Energex's and Ergon's profitability has been growing at rapid levels in recent times. In our view this reflects excessive capital allowances that have not had to be spent in the last regulatory period (retained in the form of returns on elevated Regulated Asset Bases (RABs) and associated depreciation of unbuilt assets), excessive opex allowances, and excessive rates of return through overly conservative Weighted Average Cost of Capital (WACC) parameters.

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<sup>9</sup> The Commission's Issues Paper (P7) points out, the poles and wires account for about 45 per cent of the typical bill.

<sup>10</sup> QCOSS, (29<sup>th</sup> October 2015) [Media Release](#), *Mixed News for Electricity Prices*.

<sup>11</sup> Links to AER [first](#) and [second](#) submissions on Ergon and Energex Regulatory Proposals and AER Preliminary Decision respectively.

<sup>12</sup> QCOSS was concerned with the benchmarking approach the AER used to justify this decision. There is no logical basis or clear rationale for selecting the fifth best performing distributor as the point of comparison. The fifth best distributor is clearly significantly below an efficient level (as indeed the most efficient observed distributor may be). The fifth best performing distributor exhibits a range of inefficiencies in capital and operating practices, while the National Electricity Objective points to setting revenue to recoup the costs of efficient provision of services.

We would ask that the Commission consider in its draft report the following matters, which we have identified through the AER process:

- ***Demand forecasting:*** There is a strong incentive in the regulatory framework for distribution businesses to over-estimate demand, as has occurred in previous regulatory periods. QCOSS is concerned with certain aspects of demand forecasting as set out in the distributors' regulatory proposals and we have documented these in our submissions.<sup>13</sup> For, such that Ergon's forecasting method differs from that of AEMO in that the former takes into account "local factors" as well as Gross state product. The distributors must make every effort to ensure that demand forecasts are robust and credible as the over-forecasting risk is borne by the consumers for the next five years. This is especially important given the impact that disruptive technologies such as batteries and/or the new demand tariffs may have on demand.
- ***Need to address on-going efficiencies:*** The 2013 Independent Review Panel (IRP) and Interdepartmental Committee on Electricity Prices (IDC), and the 2011 Electricity Network Capital Program (ENCAP) review found significant inefficiencies in Energex and Ergon's practices during the 2010-2015 regulatory period. Importantly, a Deloitte's report for the AER for its Determination found that "*the service providers have not yet addressed a number of IRP recommendations*".<sup>14</sup> For example, Energex and Ergon Energy have not implemented the IRP's recommendation that they market test the ICT services that SPARQ (a joint venture owned by the two distributors) provides, resulting in significant inefficiencies.

With respect to the Queensland Government commitment to merge the network entities, we consider that any decision to merge all or parts of the network businesses should only be pursued if it is clear that there are real cost savings and benefits for consumers in doing so.

- ***Capex benchmark outcomes:*** A range<sup>15</sup> of capex benchmarks including both the Economic Insights work for the AER and other capex benchmarks indicate that the distributors' proposed capex and consequent RABs are excessive. Despite this the AER awarded Energex 95 per cent, and Ergon 87 per cent, of their proposed capex. This will mean that increasingly, the Queensland distributors are young, lightly utilised, and their RABs are growing rapidly despite low or negative growth in total demand and maximum demand. A real concern is that this over-investment is likely to lead to partial stranding of network investment, particularly given emerging new and disruptive technological options for electricity supply. This is a significant risk for consumers as distributors may seek compensation if the network is stranded on the basis that the stranding occurred as part of a legislative obligation.

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<sup>13</sup> QCOSS (2015), *Submission to the AER Preliminary Decision*, P7.

<sup>14</sup> AER Preliminary Decision, P 7-25.

<sup>15</sup> QCOSS (2015), *Submission to the AER Preliminary Decision*, P12.

- **Opex benchmark outcomes:** In addition to its benchmark, the AER then applied environmental adjustments of 17.1 per cent for Energex and 26.4 per cent for Ergon in its final decision. Since the initial benchmarking has already accounted for the major variations in operating environments such as the density of the network the AER should not make adjustments for operating environment factors. Additional adjustments are likely to over-account for differences in network operating environments. This has resulted in the AER awarding Energex all of its proposed OPEX despite it performing around the middle of the group of 13 distributors in terms of its opex efficiency performance. Ergon got 95 per cent of its proposed OPEX in its regulatory proposal.
- **Metering:** For Energex, the AER accepted a very high meter asset base (MAB) for type 5 and 6 meters (at \$416m compared to Ergon's meter asset base of \$61.6m). Energex has 2.2m meters compared to Ergon with 1.3m meters. QCOSS has particular concerns about metering given the AEMC's Rule Change to expand competition in metering services and the future market-led rollout of smart meters in Queensland. We strongly believe that the AER should have more closely scrutinised metering in the DNSPs' proposals (particularly Energex). There are a number of inconsistencies which warrant further investigation. QCOSS has documented these in its submission<sup>16</sup> to the AER Preliminary Decision.

We consider that, as the owner of the network businesses, the Queensland Government has a responsibility to direct Ergon and Energex to continuously identify savings which will allow them to reduce their expenditure beyond that allowed for by the AER over the next five years, and that this saving be passed onto consumers. This is critical, as otherwise the excessive capex and opex awarded in the AER Final Decision may result in undisciplined expenditure and lack of cost-control, at the expense of customers. Going forward there must be a mechanism for Energex and Ergon to continuously seek out new efficiencies during the five year period. For example, there could be a review mid-regulatory term to identify which efficiencies have been implemented, identify new efficiencies, revise demand forecasting and adjust capex and opex accordingly.

Moreover, the capital allowances set the RAB on an unsustainable path, locking in a requirement for future high returns on capital for the current and future regulatory control periods. The return on the RAB is unsustainable at around 60 per cent of total revenue requirements, meaning that even with future reductions in capital spending to reasonable levels, the consequences of excessive capex allowances will not be unwound for the life of the underlying assets of about 50 years.

Further to the views put forward in our submissions to the AER and canvassed again above, QCOSS considers that in order for any real reduction in electricity prices in the short to medium term to be realised in Queensland, it will be necessary for the value of the RABs of the network businesses to be reduced. In theory, the future pricing

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<sup>16</sup> QCOSS (2015), *Submission to the AER Preliminary Decision*.

system (demand tariffs) may contribute to greater sustainability in the supply of energy by ensuring that the correct efficient decisions are made and over time this may result in a reduction in the RABs and/or efficient use of distributed energy resources (DER). However, it remains to be seen whether or not demand tariffs will reduce the need for future augmentation and how long it will take before the RABs start to decrease. By 2019-20, if the businesses are allowed to recover the capex allowances approved by the AER, Energex's RAB will be \$13.6 billion and Ergon's will be \$12.2 billion. That is a value of almost \$26 billion.

Without action to reduce the RABs in the short term, it is inevitable that consumers will continue to pay high electricity prices for network infrastructure which is under-utilised or idle. The inflated RABs are too high now and we believe the high prices that are resulting from these RABs are incentivising consumers to adopt non-network options for supply. Despite the likely introduction of demand tariffs in the near future, given the size of the current RAB (and the recent AER decisions on capex) and the slow transition to demand tariffs, it is QCOSS's view that consumers will actively seek to make investment decisions that hasten the 'death spiral'. This means consumers who have the ability and means to do so will reduce demand or disconnect from the grid, while vulnerable consumers and tenants without the means or control to do so will pay for a growing proportion of inflated network costs.

In the current economic regulatory framework the value of the RAB is not considered by the AER and therefore it cannot optimise out the significant inefficient past capital decisions. We consider this a barrier (within the regulatory framework) to achieving sustainable prices. This was well put by Hugh Grant, a member of the AER's Consumer Challenge Panel in his submission to the Senate Inquiry into the Performance and Management of Electricity Companies in December 2014:

*"Australia's electricity system now has an installed asset base well in excess of requirements. The Regulated Asset Bases (RABs) - the valuation of the electricity networks' past investments, are grossly inflated due to unnecessary and inefficient investments, and a flawed asset valuation methodology. Australian electricity consumers are already funding a significant level of "stranded assets". The networks receive guaranteed returns on their past investments (RABs) - returns which are currently driving around 70% of their prices. Whilst the recent regulatory rule changes have provided the AER with marginally more power to scrutinise future "gold plating", they do not allow the AER to address past gold plating. To seriously address Australia's unsustainable electricity prices it is imperative that the networks' Regulated Asset Bases (RABs) are re-valued to more appropriate levels".*

Ultimately, Queensland consumers are looking for greater productivity in the supply of energy (from whatever source) that will translate into overall lower prices and bills per unit produced. The current economic regulatory framework is not sustainable especially in the face of changing market conditions and structures, and is not capable of achieving this. For this reason, we consider that the Commission must start the conversation in this Review across all sources (grid and DER) on how to achieve sustainable prices and this conversation must include consideration of options to reduce the size of the value of RABs.

## Retail

QCOSS considers that the introduction of the National Energy Consumer Framework (NECF), while an improvement on the Queensland Electricity Code in many respects, may be difficult to amend in response to consumer protection issues arising in what is a rapidly evolving market. We consider that where national consumer protections may be insufficient, state-based mechanisms may be required in acknowledgement that unique business models may emerge or develop at a different scale or pace across different jurisdictions.

One example of this is the fact that over 900 Queensland exempt sellers have registered with AER in only a few short months since 1 July 2015 when Queensland adopted the NECF. This represents more than half of the total exempt sellers that have registered across all the NECF jurisdictions in total. This is likely to be made up of metering companies and other on-supply providers such as caravan parks, boarding houses, retirement villages, high-rise apartment complexes, and supported care homes. However, it also indicates a broader trend towards non-traditional models of electricity supply in Queensland. QCOSS has a particular interest in the frameworks that protect customers of exempt sellers, in recognition that many of the types of accommodations that use these arrangements are housing options for Queensland's most vulnerable consumers.

Prior to 1 July 2015, customers of exempt sellers in Queensland were excluded from a range of consumer protections including hardship assistance and processes around disconnection. The application of NECF and the AER's Exempt Seller Guideline in Queensland has improved protections in these areas. However, QCOSS remains concerned that the retail framework that applies to these vulnerable customers remains a grey area with a confusing mix and national and state based oversight and cross over between tenancy and electricity legislation in regards to price and consumer protections. We find that exempt sellers and their customers are frequently both uncertain about their rights and obligations. At present, we do not believe customers of exempt sellers in Queensland have adequate means to have their energy related disputes resolved in a cost effective way. We believe it is critical for the Queensland Government to investigate options to extend the jurisdiction of the Energy and Water Ombudsman Queensland (EWOQ) to provide effective dispute resolution services to these customers in relation to their energy supply.

## Retail Price Deregulation in South East Queensland

A number of recent reports have been released which explore the outcomes for consumers in Australian markets where retail electricity prices have been deregulated. One report from the St Vincent de Paul Society found that *“the retail component of bills is too high in the deregulated, competitive electricity market”* and concludes *“that this is either because the cost of competition is high or because competition is ineffective.”*<sup>17</sup> Another, from the Brotherhood of St Laurence, found that the retail component of electricity bills in Victoria has doubled since 2008 and is now higher than any other state.<sup>18</sup> We refer the Commission to these reports which provide more detail on the consumer perspective in other competitive markets across the NEM. We recommend the Commission consider these reports, and seek to gather the views of consumer groups within these jurisdictions, to make an assessment about how the benefits of retail price deregulation are being delivered in practice and what may be required to ensure Queensland gets the framework right from the outset.

The current context within Queensland is that electricity prices are high, largely due to excessive network costs, and disconnections are rising. Trust in the energy industry is also low<sup>19</sup>, and in Queensland there are currently limited resources directed to ensure highly vulnerable people have access to independent assistance to help them manage their energy bills. QCOSS considers that many households are already struggling in the current market, and that without improved protections and significant investment in targeted support, this is not a context where adding an additional layer of complexity through the removal of regulated prices is likely to result in improved outcomes for low income and disadvantaged people.

Where there is competition, there is an increasing onus on consumers to understand and actively (and continuously) engage in the energy market, which is contingent on being able to: (1) understand the range of fees, tariff charges, and terms and conditions on complex contracts; (2) regularly compare and contrast different market offers against household usage to determine the best offer for those circumstances; and (3) continuously shop around and switch in order to ensure benefits are not lost when discount periods cease or prices are increased within the contract period.

This is a significant expectation for the average consumer. However, for those who are vulnerable or disadvantaged and may be struggling with language, literacy, numeracy, comprehension, crisis or disability, it is an unrealistic expectation. QCOSS has concerns about the ability of our most vulnerable members of the community to derive benefit from the proposal to remove retail price regulation in its current form without improved protections and significant investment to engage and provide hands-on support for vulnerable consumers.

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<sup>17</sup> St Vincent de Paul Society, September 2015. The NEM – still winging it. [www.vinnies.org.au/icms\\_docs/228265\\_National\\_Energy\\_Market\\_-\\_Still\\_Winging\\_It.pdf](http://www.vinnies.org.au/icms_docs/228265_National_Energy_Market_-_Still_Winging_It.pdf). P5.

<sup>18</sup> Brotherhood of St Laurence, July 2015. Rising retail costs and their impact on energy affordability. <http://library.bsl.org.au/jspui/handle/1/6112>

<sup>19</sup> CHOICE, July 2015. Consumer Pulse Survey: Australian Attitudes to Cost of Living. [www.choice.com.au/~media/ef9cbe615ba84432982b76715bf60b80.ashx](http://www.choice.com.au/~media/ef9cbe615ba84432982b76715bf60b80.ashx)

QCOSS has previously made a number of submissions on this topic to the Queensland Government and the Parliamentary Committee tasked with assessing the legislative package to introduce deregulation in 2014. We refer the Commission to the submission into those previous processes for further details on our views.

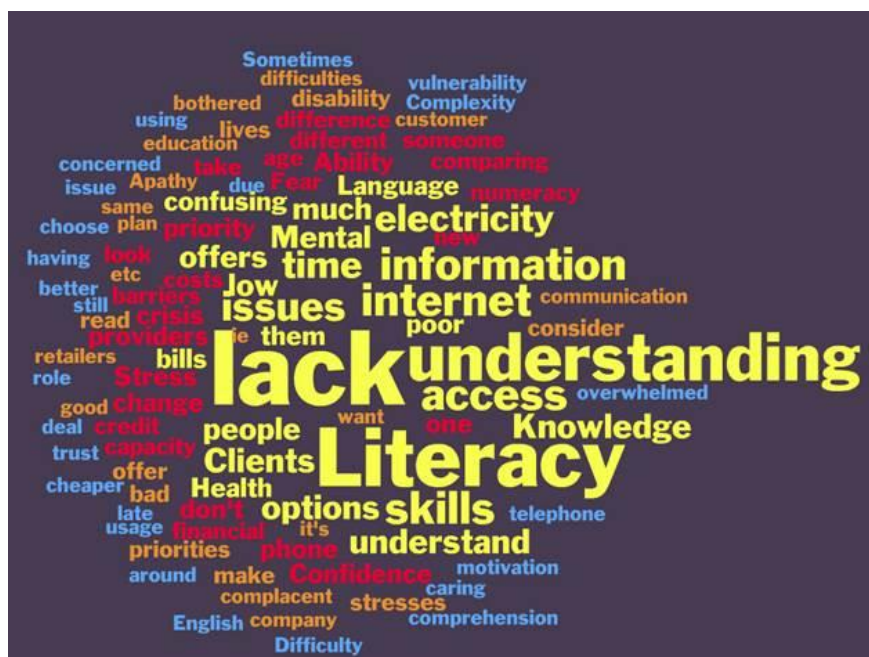
Specifically, we have three key recommendations that we believe will be essential for ensuring adequate protection and assistance for vulnerable people in South East Queensland. These include:

- That adequate funding be provided to implement a targeted energy advice and information support program for low income and vulnerable consumers, to be delivered through independent and trusted agencies with expertise in the needs of low income and vulnerable Queenslanders.
- That unnecessary penalties and risks be removed for vulnerable consumers participating in the competitive market by banning late fees on all standing offer and market offer contracts.
- That competitive pressure be applied to standing offer prices as much as possible by setting the date on which variations to standing offer prices must be published and requiring retailers to publish a rationale for any changes in the standing offer price on that date.

We discuss the rationale for these recommendations further in this section.

## Targeted advisory service for vulnerable consumers

One of the questions posed to the South East Queensland respondents to the QCOSS online survey was: “*What barriers might your clients face in comparing offers?*” The responses were qualitative and are represented in the visual word image below.<sup>20</sup>



<sup>20</sup> The font size is correlated with the most commonly used words in the responses provided.



These barriers can be summarised in six broad categories:

1. **Capacity to understand information:** The majority of responses indicated that many low income and vulnerable people had poor literacy and numeracy skills. A poor understanding of financial issues, low education or impaired cognitive ability or comprehension skills were also reported.

According to the ABS and CSIRO, between 44 and 47 per cent of Australians are *functionally illiterate* and 54 per cent are *functionally innumerate*.<sup>21</sup> This is a significant figure and it means there is a high proportion of people who struggle with tasks such as reading instructions on a medicine bottle, reading a map or following a recipe. This has implications for the energy market, as people with low literacy and numeracy not only lack knowledge of the relevant facts, but are also limited in their ability to seek out information to acquire this knowledge.

2. **Access to information:** Responses indicated that barriers to accessing the internet, the cost of phone calls and language barriers limited the accessibility of information for many vulnerable people. This is supported by evidence that 16 per cent of Queensland households have no home internet and, of these households, two-thirds are in the lowest two income quintiles.<sup>22</sup> The majority of the information on electricity offers, from retailers, regulators and government, is available primarily on the internet. While the AER offers a phone line for the Energy Made Easy service, it is not included on promotional material as it is not resourced to meet widespread demand.

Even where people do have access to the internet, their ability to source and understand information may be limited. Feedback provided at our energy workshops indicated that community service workers are spending increasing amounts of time assisting clients to access information on websites and complete online forms as government agencies and businesses increasingly shift to online forms of communication.

3. **Confidence in a complex market:** It was reported that many vulnerable people simply do not know where to start or what to look for, find the information confusing or overwhelming, do not understand the terminology or conditions in contracts, find it difficult to navigate jargon, or lack the confidence to negotiate with retailers.

***“Difficulty understanding which is cheaper as some might offer better discounts [but] they may charge more for usage or connection fees”***

*Financial Counsellor, SEQ*

***“Many are just so confused - they are interested but the task seems too complicated”***

*Emergency Relief and NILS Volunteer, SEQ*

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<sup>21</sup> ABS (2013) 4228.0 - Programme for the International Assessment of Adult Competencies (PIAAC), Australia, 2011-12.

<sup>22</sup> 8146.0 - Household Use of Information Technology, Australia, 2012-13

Nationally 41% of the 1<sup>st</sup> quintile and 23% of the 2<sup>nd</sup> quintile have no home internet  
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8146.02012-13?OpenDocument>

4. **Trust:** Responses identified that many vulnerable people had deep distrust in the energy industry due to bad experiences in the past with retailers or being misled by salespeople. As a result, respondents felt many clients were hesitant to interact with their retailer and were concerned about the reliability or trustworthiness of information presented to them. This appears to be a broader issue in the energy industry as whole, as evidenced by a recent CHOICE survey that found 44 per cent of Australians did not believe their energy retailer acted in their best interests.<sup>23</sup>

***“Some of my clients have had their electricity bills changed to another company without their knowledge”***

*Emergency Relief Volunteer, SEQ*

***“[They’ve] been caught before by someone offering cheaper electricity, but really it was not”***

*Financial Counsellor, SEQ*

5. **Hardship and crisis:** Many vulnerable people were reported to have other competing priorities and were in stress, or even in crisis, leaving them with little time to compare and consider offers.

***“They are overwhelmed with everything they have to do just to stay on top of things. Comparing bills is an unnecessary complication. This kind of thinking requires consistent methodical planning, whereas the people I work with seem to live in constant crisis”***

*Financial Counsellor, SEQ*

While we note that the Issues Paper suggests community agencies will have an important role in acting as information brokers and educators for their clients, most of the respondents did not consider assisting clients to choose an energy offer to be part of their role in assisting vulnerable people. There is a tendency to assume that low income and vulnerable people can be engaged by providing information and messaging through the community services sector. However, only 10 per cent of respondents indicated that they would consider helping clients compare energy offers in the future.

***“This kind of work can be time consuming and a drain on capacity to meet demand for our core work”***

*Disability Support Worker, SEQ*

Generally, the hesitation was due to a prioritisation of time spent with the client. Due to resource constraints, comparing energy market offers was not considered

***“I have too many other things in the budget that have a higher return on time invested”***

*Financial Counsellor, SEQ*

an effective use of time, especially given the range of other issues a client might be facing. Those that did report having been involved in assisting customers choose an offer in the past generally did so based on their experience with a retailer’s hardship service, rather than a detailed assessment of tariff prices or contract terms.

***“I tend to recommend the service that I have had the best hardship outcomes with, as I didn’t think the prices were that different”***

*Frontline Community Worker, SEQ*

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<sup>23</sup> CHOICE, 2015. Ibid.

Given this feedback from people on the frontline in assisting low income and vulnerable Queenslanders, QCOSS considers there are significant barriers to engaging this cohort of consumers in the competitive market under the existing arrangements.

While we support initiatives to promote Energy Made Easy and provide broad messages to promote the benefits of shopping around, we believe there is a need to invest more attention and resources specifically towards channels that engage and educate vulnerable consumers. As we will explain later in this section, messages about the benefits of shopping around for low income and vulnerable people must be nuanced in order to avoid adverse outcomes for this group of customers.

QCOSS supports the Australian Energy Market Commission (AEMC)'s proposed Blueprint, mentioned in the Issues paper, which recommends targeted assistance to help low income and disadvantaged customers find a better deal. We believe there needs to be significant investment into ensuring that vulnerable people receive accurate and informed advice at key access points, including through the community sector. QCOSS is confident that the community sector in Queensland could assist clients with accessing information and understanding these options; however they must be resourced and supported appropriately to do so. If Queensland intends to remove retail price regulation in the south east from 1 July 2016, we consider there is a need for a clear plan for how the community sector will be resourced and engaged to achieve this.

### Suitability of market offers

While QCOSS understands the intent to remove retail price regulation is to encourage greater competition and innovation into the competitive market, we have concerns that the type of innovation delivered may not actually benefit vulnerable consumers. At present, innovation in market contracts appears largely limited to:

- Discounts for meeting certain conditions such as paying on time, paying via direct debt, signing up for both electricity and gas services, or forgoing paper bills for online billing
- One-off credits off the first bill
- Potentially others add-ons such as free movie tickets or magazine subscriptions

While we accept that greater competition may increase the diversity of offers, during the transition period there is minimal opportunity within the above options for a vulnerable person who may be in debt or struggling to manage their bills on an ongoing basis. Many households on a low income are likely to be prevented from deriving any benefit from these options as they may not: (1) be able to pay their bills on time, every time, (2) have the cash flow certainty to ensure they would not be penalised for default charges under a direct debt arrangement, (3) have regular access to the internet to benefit from online billing or (4) have reticulated natural gas connected. It appears there is little incentive for retailers to offer product innovation which is suited to the needs of low income and vulnerable consumers, particularly if they are experiencing ongoing hardship.

We are concerned firstly that there is a high probability that many vulnerable consumers will adopt these type of market offers and end up paying higher prices above the standing offer as a result of not meeting the conditions. We believe there is insufficient understanding across vulnerable consumers about these types of conditions and the penalties for not meeting them. The targeted advice program described earlier could provide assistance to ensure vulnerable customers have access to support in making better choices.

Further, there are insufficient protections for vulnerable consumers who may sign up for these offers and find themselves paying prices far in excess of what they expected or what they could otherwise be paying. QCOSS considers that the loss of a pay-on-time discount is, in effect, a penalty for paying late. Except, instead of a clear fixed amount, the penalty is proportionate to the amount of energy used so it is not known in advance how much it could be. For example, one current offer available in SEQ would penalise a customer with an annual bill of \$2000 by nearly \$300 in lost discounts in addition to the \$12 late fee imposed per late bill.<sup>24</sup> This cost does not appear to be linked to the actual cost incurred by the business as a result of that customer paying late.

Under the NECF, late fees must be waived for customers who have been identified as being in financial hardship. However, there is no explicit requirement to waive other penalties imposed on hardship customers for late payment, such as the loss of conditional discounts. We believe further protection from penalties imposed via the loss of conditional discounts is required to protect vulnerable consumers from being penalised for poor choices in what is a very complex market.

In the absence of suitable options, the reality may be that many low income or disadvantaged customers are likely to be better off on the standing offer contract than paying the penalty cost of signing up to a conditional discount where they cannot meet the conditions. This is certainly the case under the current regulated price regime, where analysis from the St Vincent de Paul Society Queensland Tariff Tracker report for 2014-15 found that *“late paying customers switching from the regulated rates will be worse off on all market offers included in this analysis”* and *“this could be considered as major disincentive for customers to engage with the competitive market”*.<sup>25</sup> Vulnerable consumers face the risk of moving onto a market contract, only to end up paying more than the standing offer due to being doubly penalised through the loss of a conditional discount combined with a late fee.

Further, customers in hardship who have existing debt with their retailer are unlikely to benefit from shopping around if it involves switching retailers. Debt does not disappear when a customer switches, instead it usually triggers the involvement of debt collection agencies as well as preventing access to assistance measures like payment plans and the Home Energy Emergency Assistance Scheme (HEEAS) to assist with the payment of that debt.

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<sup>24</sup> Queensland Consumer Association, October 2015. Media Release.

<sup>25</sup> St Vincent de Paul Society, July 2015. Queensland Tariff Tracking Project. Page 7.  
[www.vinnies.org.au/page/Our\\_Impact/Incomes\\_Support\\_Cost\\_of\\_Living/Energy/QLD/](http://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/QLD/)

Additionally, the quality of service can have a significant impact on the outcomes for a vulnerable customer. While price is one factor, the quality of support provided through the hardship policy is also critical. The benefits of an attractive discount can be quickly eroded if a customer is not able to get early entry into a hardship program or if the benefits offered under that hardship program are limited. The AER's Review of Hardship Policies and Practices and anecdotal evidence from the Queensland community sector both suggest there is significant variation in the quality of hardship service offered by different retailers. However, aside from anecdotal stories from friends or community workers, there is currently limited information available to customers about the quality of hardship programs across retailers in terms of what they offer their Queensland customers in practice. This increases the risk of shopping around for a vulnerable customer.

These factors, combined with the range of other barriers highlighted in the survey results described earlier, clearly indicate that low income and vulnerable customers experience a range of additional complexities and barriers to making good choices in the competitive electricity market. Not only are the stakes higher for low income customers, as they have less room to move and face a greater risk of disconnection, but there are additional complexities which must be considered and weighed that largely do not apply to other customers. There are many ways in which a poor choice of contract or retailer can compound and exacerbate disadvantage. We believe a mix of strong consumer protections to reduce risk in the market, as well as investment in a targeted program to provide hands-on support to vulnerable consumers, will be critical for addressing these issues and levelling the playing field so that all customers have the opportunity to benefit from retail price deregulation.

### Standing offer prices

In addition to targeted education and advice, we also believe that in the absence of innovative market offers that benefit low income consumers, there is a need for the framework to provide more competitive pressure on standing offer prices. A recent report by St Vincent de Paul Society found that in markets without retail price regulation, it appears that *"retailers use standing offer customers to subsidise market offer discounts in order to attract new customers"* (p24). Effectively, this means that savvy customers who can obtain market discounts are being subsidised by less savvy (and potentially vulnerable) customers who do not (or cannot) benefit from these offers.

The need for competitive pressure on standing offer prices is also necessary in recognition that many customers are likely to be paying the standing offer price – and it is likely to be many more than just the number of customers on standing offer contracts. The practice of retailers offering 'fixed benefit periods' means that unless customers are continuously and actively shopping around, they are likely to end up on a market contract that is priced at the standing offer level once their initial discount period ends. QCOSS believes further research is required to identify the prices customers are actually paying in the market, rather than the current focus which is on the market offers that are available to new customers and the proportion of customers of standing offer contracts.

For the above reasons, it is critical that the framework in Queensland is amended to place sufficiently competitive pressure on standing offer prices as *“there will always be customers, for various and valid reasons, that will not or cannot participate in the market and allowing retailers to charge them a significant premium, just because they can, is not an acceptable outcome”*.<sup>26</sup> QCOSS supports the recent calls by Victorian consumer groups, backed by retailers such as AGL,<sup>27</sup> that retailers be required to publish standing offer prices on an agreed date every six months, to be accompanied by a brief statement on why prices have changed or otherwise.

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<sup>26</sup> St Vincent de Paul Society, September 2015. The NEM – still winging it. [www.vinnies.org.au/icms\\_docs/228265\\_National\\_Energy\\_Market\\_-\\_Still\\_Winging\\_It.pdf](http://www.vinnies.org.au/icms_docs/228265_National_Energy_Market_-_Still_Winging_It.pdf). P37.

<sup>27</sup> AGL, December 2014. AGL commits \$6 million to support vulnerable customers. [www.agl.com.au/about-agl/media-centre/article-list/2014/december/articleagl-commits-\\$6-million-to-support-its-most-vulnerable-customers](http://www.agl.com.au/about-agl/media-centre/article-list/2014/december/articleagl-commits-$6-million-to-support-its-most-vulnerable-customers)



## Issues for regional Queensland

### Affordability

While QCOSS is aware the Uniform Tariff Policy (UTP) ensures regional Queensland customers have access to the same regulated electricity prices as SEQ customers, it must also be acknowledged that affordability is a function of not just price, but also income and consumption.

Regional locations in Queensland are typically characterised by hotter climates and higher average electricity usage, as well as lower incomes and higher unemployment rates. Even with the same electricity prices, affordability may still differ due to consumption differences for many reasons including climate differences, differences in property sizes, lack of access to reticulated gas, older and less energy efficient premises, and less access to insulation products and energy efficiency advice.

Even assuming equal electricity bills and equal incomes, regional consumers may struggle more to pay electricity bills than those in SEQ if they have an overall lower capacity to pay due to their overall costs of living being higher. This may be the case because food items and other essentials have to be transported over greater distances, and there may be lower economies of scale in regional areas.

The customer base in regional Queensland also varies considerably – from households and businesses in large urban centres, to very remote off-grid communities where customers pay for electricity using prepaid card-operated meters.

During the course of QCOSS's Energy Literacy workshops in regional areas, we identified a number of regions where resources were increasingly stretched due to trends in unemployment due to the mining downturn or drought. Our survey results also revealed that household trends and drivers such as large families and poor quality housing were more strongly identified with in regional locations, when compared with SEQ. For example, 25 per cent of regional respondents said most of their clients had high electricity costs because there were a large number of people living in the home (whereas only 12 per cent of SEQ respondents agreed with this statement).

Finally, of most concern are the statistics which shows a disproportionate number of households disconnected for non-payment are from regional areas. In the 2014-15 financial years, just under 13,000 regional households were disconnected for non-payment, representing 44 per cent of the total across the state. This of course does not include the unreported incidences of 'self-disconnection' which, as our report *Empowering Remote Communities*<sup>28</sup> found, occur regularly in remote communities where people pay for electricity using prepaid powercards. More support is needed that is targeted specifically towards vulnerable people in regional areas to address this worrying trend.

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<sup>28</sup> QCOSS, August 2014. *Empowering remote communities*.

[https://www.qcoss.org.au/sites/default/files/20140819\\_QCOSS%20Report%20on%20Remote%20PPM%20Customers%20Final.pdf](https://www.qcoss.org.au/sites/default/files/20140819_QCOSS%20Report%20on%20Remote%20PPM%20Customers%20Final.pdf)



## Uniform Tariff Policy

QCOSS considers one of the key objectives of the UTP is to promote regional development by improving the affordability of essential services in regional Queensland. The UTP creates a level playing field between the electricity costs paid by customers in SEQ compared to those in regional areas, thereby addressing disparities in the cost of living and promoting regional development. While the intended objective of the UTP is unclear, given the policy was implemented across both residential and business customers with no means testing, we assume its objective is to keep electricity affordable for all types of customers in the regions.

In regards to exploring options to 'target' the UTP, we note that households could be indirectly disadvantaged should a change to the UTP diminish regional development, employment opportunities or cost of living outcomes in regional Queensland. We consider that in representing the interests of vulnerable residential customers, it is important to consider the potentially significant flow-on impacts that could emerge should electricity prices increase significantly for commercial and small business customers in the regions. For example, a reduction in wages or employment opportunities, or increases in the cost of living would also disadvantage regional households.

A key benefit of the current UTP arrangements is that they are relatively simple to administer.<sup>29</sup> The administrative simplicity of the UTP in driving positive regional development and affordability outcomes may be preferable to more targeted grants or rebates, which may create additional administrative complexity and cost, as well as risking some vulnerable customer segments missing out on assistance.

## Introducing effective retail competition

We note there is a proposal to apply the Community Service Obligation (CSO) at the distribution level to reduce cost and facilitate competition. We consider that even if this is pursued, there are other barriers to competition which would need to be addressed if retail competition is to be effective in regional Queensland.

One of these barriers is the non-reversion policy which has the effect of restricting Ergon Retail from competing. It is important in the interests of effective retail competition that this policy is revoked before the transition to a network CSO is complete. This policy currently prevents any present or future occupant of a site where a former Ergon customer has transferred to another retailer from transferring back to Ergon Retail. This is a barrier to effective retail competition as it creates significant risk and discourages consumers from participating in the market. We note that as new business models gain traction, the risk of consumers signing up to agreements offered by companies other than Ergon may increase. However, receiving a market offer once does not guarantee future access to retail competition or long term price benefits in an area where very few retailers might operate. In these circumstances it is not appropriate that all future occupants should be bound by one customer's decision to

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<sup>29</sup> Issues Paper, page 10; IDC, *Report to Government*, May 2013, page 105

switch to a particular retailer. Revoking this policy will reduce the risk for consumers participating in the retail market and improve their confidence in switching.

If retail competition is established in regional Queensland, notified prices should have the same role that they have had in SEQ since the introduction of full retail competition. It would be consistent with provisions in SEQ if all competing retailers are required to offer notified prices. We highlight that notified prices do not just provide regulated tariffs, but also regulated terms and conditions.

QCOSS agrees that there could be benefits to regional customers having access to full retail competition. However, giving customers access to retail competition does not guarantee that competition will be effective, particularly in remote and rural areas. We refer the QPC to the Public Interest Advocacy Centre's work in NSW which found that despite FRC being in place for nine years, there was a low proportion of customers switching, a low awareness of the ability to choose their retailer, a smaller range of retailers to choose from and limited marketing activity.<sup>30</sup>

Ensuring customers in regional Queensland benefit from retail competition requires not just that retailers offer market contracts in Ergon Energy's distribution area, but also that customers have the capacity to make informed choices. To ensure that customers can benefit from retail competition in the future, QCOSS recommends targeted measures to build the capacity of regional customers to engage in the market, noting that many will not have experienced effective retail competition before. In this context, it will be important to:

- provide education and information through trusted and independent channels that regional customers can readily access, including targeting low income and vulnerable households through community organisations;
- establish mechanisms to provide a two-way communication flow between regional consumers, and government and industry about policy issues customers experience and how they can be addressed; and
- provide timely, clear and accurate information about likely price movements and impacts of government policies, in order to manage customer expectations and maintain consumer confidence in the retail market.

In addition to these measures, it is important that regional customers are included in the process of developing a competitive market through strong consultation and customer engagement frameworks. We suggest that a holistic regional strategy should be developed to ensure active and inclusive consultation with regional and remote customers across the State. QCOSS highlights that consideration must extend to all customers in regional Queensland, recognising the diversity of their experiences and circumstances, and including consideration for customers who may not experience effective competition in the near future due to their remoteness. For example, particular consideration must be given to the large numbers of customers with prepayment meters in Aboriginal and Torres Strait Islander communities. The means of enabling

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<sup>30</sup> See for instance a report by the Public Interest Advocacy Centre (PIAC) *Choice? What Choice? – a study of consumer awareness and market behaviour in the electricity market in five regions of New South Wales: Cooma, Lismore, Bourke, Wagga Wagga and Orange*, 15 June 2011, available at [www.piac.asn.au/publication/2011/06/choice-what-choice](http://www.piac.asn.au/publication/2011/06/choice-what-choice)

customers with prepayment meters to benefit from retail competition need to be addressed. In many instances, these customers also face higher levels of disadvantage and other particular needs which must be considered in the approach to retail competition in these areas.

### Remote powercard communities

We refer the Commission to a report QCOSS published in 2014, which highlights the unique set of challenges faced by households in remote indigenous communities where electricity is supplied through card operated 'prepayment' meters and paid for by the purchase of disposable 'powercards'.<sup>31</sup> Following presentations on our research, the Queensland Government released a Government Gazette to confirm card-operated meter customers are eligible for the Electricity Rebate. However, there remains limited transparency around who is accountable for promoting uptake of the concessions in these communities. We understand that uptake of the concessions is low and that the uptake that has occurred has been largely due to the efforts of local community service organisations who have actively assisted people through the application process.

Powercard customers also remain ineligible for HEEAS payments to assist with the cost of electricity when faced with an unexpected emergency. As these households do not incur debt, they presumably are forced to disconnect from electricity when an emergency event impacts their income or expenses to the extent that it reduces their capacity to pay their electricity costs.

QCOSS considers that, given the unique challenges of electricity supply combined with the significant levels of disadvantage in these communities, powercard customers must be elevated and given priority consideration when government policy reforms and market developments are implemented. Consultation with communities is also important to ensure any changes are culturally appropriate and do not compound existing disadvantage.

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<sup>31</sup> QCOSS, August 2014. *Empowering remote communities*.  
[https://www.qcoss.org.au/sites/default/files/20140819\\_QCOSS%20Report%20on%20Remote%20PPM%20Customers%20Final.pdf](https://www.qcoss.org.au/sites/default/files/20140819_QCOSS%20Report%20on%20Remote%20PPM%20Customers%20Final.pdf)

## Concessions

We welcome the Commission's reference to our principles in the Issues Paper. However we note that while there are a set of design principles, there are also implementation principles presented which are not referenced in the Issues Paper but which also have an impact on the success of concessions in meeting their objectives.

These include principles such as:

- Accessibility
- Complementary assistance
- Cost effective delivery
- Accountability
- Review mechanisms<sup>32</sup>

We particularly refer to *accessibility* and *complementary assistance* as two design aspects which, if improved, could vastly enhance the impact of concessions in assisting those Queenslanders who need it most.

## Eligibility

QCOSS's *Cost of Living* report series<sup>33</sup> highlights the basic problem that many households do not have sufficient income to meet all of the costs that most would consider "essential" for a basic standard of living. We consider the objective of general energy concessions such as the Electricity Rebate is to provide assistance that allows those households whose income is not sufficient to afford the electricity required to maintain a basic standard of living to be able to do so. For this reason, we believe the Electricity Rebate should be means tested to ensure it is only going to those who are on low incomes. We strongly believe that concessions to assist with the cost of energy should be targeted at those households most in need. We do not believe this to be the case at the moment.

QCOSS strongly believes there is a need for fundamental change to the targeting of the Electricity Rebate to ensure the concession is fair and equitable in delivering assistance to Queensland's most vulnerable households. One of the key areas of concern is the exclusion of many low income households from the eligibility criteria, especially low income working families and single persons on Newstart benefits. This significant gap in the eligibility criteria has been consistently highlighted by QCOSS for a number of years, and is continually raised by community service sector attendees at our workshops across the state. One of the simplest and least administratively complex ways to ensure low income households can access the Electricity Rebate would be to extend eligibility to Health Care Card holders, as is the case in most other Australian states and territories.

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<sup>32</sup> QCOSS, 2013. Energising Concessions Policy in Australia.

[https://www.qcross.org.au/sites/default/files/Energising%20Concessions%20Report%20-%20May%202014%20-%20FINAL%20FOR%20WEB\\_0.pdf](https://www.qcross.org.au/sites/default/files/Energising%20Concessions%20Report%20-%20May%202014%20-%20FINAL%20FOR%20WEB_0.pdf)

<sup>33</sup> QCOSS, Cost of Living Report Series. <https://www.qcross.org.au/our-work/cost-living>

While gas is not explicitly part of this review, the eligibility criteria for the Reticulated Natural Gas Rebate is the same as for the Electricity Rebate and thus is also not well targeted. Additionally, the Gas Rebate is only available to reticulated gas customers, which excludes many customers who reside in areas where there is no reticulated gas network and who purchase bottled gas through a contract with a retailer. This exclusion has a disproportionate impact on regional customers.

Eligibility for special-purpose energy concessions are likely to have different objectives as they seek to assist households with the unavoidable costs of high electricity use for medical reasons. Eligibility for these concessions should be simplified to improve equity of uptake. For example, the Medical Cooling and Heating Electricity Concession Scheme requires approval from a medical specialist. For many people with conditions requiring heating or cooling, there are no specific specialists available locally. We believe that approval from a GP should suffice to ensure eligibility for all customers who need this concession to help manage their excessive electricity costs. We refer to recent work undertaken by MS Australia on *Domestic Energy use by Australians with Multiple Sclerosis including medically related cooling*.<sup>34</sup>

## Accessibility

QCOSS has some concerns about the awareness and accessibility of Queensland's energy concessions. In our survey, we asked respondents which concession schemes in Queensland they were aware of and the extent of their knowledge of those schemes.

It was surprising that despite the aforementioned increase in demand for assistance in relation to electricity bills, large numbers of respondents were either unaware or had no specific knowledge of many of the concession schemes. Even for the most recognised scheme – the Electricity Rebate – more than a third of respondents were unaware or had no specific knowledge about this concession. Despite many survey respondents working in emergency relief type roles, only 33 per cent of respondents indicated they had a good understanding of the HEEAS.

Further, even if there is strong awareness in the community of these concessions, there remain a number of practical barriers to accessibility to these schemes for many customers.

Firstly, while on-supply customers are technically eligible for the Electricity Rebate, there is a need to improve accessibility for these customers.<sup>35</sup> Currently, on-supply customers must request their on-supplier to apply for the rebate on their behalf, and there is no effective recourse for customer to complain if the on-supplier refuses to do so. Many on-supply customers are not aware of their eligibility for concessions or are being prevented from accessing it. The situation is the same for on-supply customers seeking to access the HEEAS and other rebates that are applied to the bill.

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<sup>34</sup> <http://www.advocacypanel.com.au/media/docs/MS-Medical-Cooling-Final-Report-e9860b29-bb63-4566-b92c-29d5a3c69efe-0.pdf>

<sup>35</sup> QCOSS, 2013. *Submission to Discussion Paper on Electricity On-Supply in Queensland*. <https://www.qcoss.org.au/sites/default/files/QCOSS%20Submission%20to%20On-Supply%20Discussion%20Paper%20-%20FINAL.pdf>

In addition, awareness and uptake of the Electricity Rebate amongst eligible Aboriginal and Torres Strait Islander customers in remote communities with pre-payment meters is also negligible. While the Queensland Government has publicly confirmed they are able to apply, there has been limited investment into ensuring households have the opportunity to apply. While we understand there are challenges due to the lack of direct billing relationship between pre-payment meter customers and their retailer, we consider that it must be a high priority for the Queensland Government to ensure people in these vulnerable communities take up the concessions to which they are eligible.

On-supply and pre-payment meter customers are some of the most vulnerable consumers in the state and there needs to be clearer and more accessible processes to ensure they receive the assistance they are eligible for. QCOSS recommends that all Queensland Government concessions should include consideration for these customers and be developed with specific criteria to ensure all low income and vulnerable consumers are able to access the assistance they are entitled to, regardless of their supply arrangements.

There are also a number of accessibility issues associated with the HEEAS which should be addressed as part of a comprehensive review of concessions. Critically, the key purpose of the HEEAS is to avoid disconnection where a household has experienced an unexpected expense or loss in income which limits their ability to pay their bill. However, of the application forms that are posted out, only 31 per cent are ultimately successful in receiving assistance. Just under 50 per cent of the application forms that are sent out are returned. QCOSS received a wealth of feedback from the community sector in regards to the HEEAS process at our Energy Literacy Workshops. On the whole, most community organisations consider that the application form and postal process used to deliver the HEEAS is not appropriate for the purpose of the scheme (which is to assist in the case of an emergency or crisis), nor is the length and complexity of the form appropriate for the intended applicants (who may have low literacy or numeracy). Simple measures such as providing community based organisations with access to application forms or allowing them to be submitted via email, would have an enormous impact on the accessibility of this particular scheme and strengthen its success in assisting vulnerable customers avoid disconnection from electricity.

## Structure

Flat payment concessions do not provide equitable assistance to customers with differing levels of non-discretionary consumption as it effectively means a single-person household receives the same dollar value payment as a large family-sized household despite their higher essential energy needs. QCOSS believes that a percentage based calculation would be more equitable and effective for concessions, particularly as tariff reform is implemented which will potentially increase the variability of bills between different households and across different billing periods.

However, QCOSS does have some concerns about making the change to a percentage based concession at a time when the fixed component of Queenslanders' electricity bills has increased so significantly in recent years. The percentage based



concession is likely to result in very low consumption households receiving proportionally less support through concessions, at a time when their bills have been increasing substantially. We believe this is likely to further disadvantage already vulnerable consumers. For this reason, QCOSS recommends the Commission consider transitional issues to moving towards a fairer concession framework, as well as supplementary measures to target other forms of assistance to vulnerable consumers. For example, there is an option to introduce a dedicated supply charge rebate for low income households with very low consumption as has been implemented in other states.<sup>36</sup>

### Complementary measures

The concessions framework is only one part of an assistance framework which should include other consumer protections and support mechanisms. While concessions represent a valuable ongoing support mechanism for many low income households, there may also be low income households with the capacity to reduce their energy use if there was assistance to help them overcome the financial, informational or practical barriers to achieving this. Support to address these barriers can be an effective tool to improve affordability for these households.

Research released by CHOICE, based on a survey of 383 Queensland households, found that 83 per cent of respondents believe it is important or very important that the Queensland Government help to reduce energy bills and that 76 per cent would support the Queensland Government taking a role in helping consumers save energy.<sup>37</sup> We believe state funding to boost community service support and introduce an energy efficiency program targeting low income consumers would be highly effective in conjunction with a percentage based concession. We provide more detailed comments on complementary measures in the next section.

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<sup>36</sup> <http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/energy/service-to-property-charge-concession>

<sup>37</sup> CHOICE, November 2013. *Survey of community views on energy affordability – Queensland*. <http://www.choice.com.au/~media/Files/Consumer%20Action/Energy/Summary%20of%20survey%20results%20Queensland.ashx>



## Customer support and assistance

QCOSS believes an assistance framework that combines concessions with other complementary assistance measures is the most effective way to ensure that consumers are not only supported through financial means, but are empowered and supported to adjust their consumption and take control of their bills where possible.

We believe it is critical for the Queensland Government to establish clear pathways for low income and vulnerable people to access support and advice in relation to energy. This will not only help address the concerning increase in disconnections, but will also ensure that vulnerable consumers are engaged and informed throughout the range of energy reforms expected over the coming years, such as retail price deregulation, tariff reform, competitive metering, battery storage and other new technologies and business models that may emerge in the future.

Australian state governments fund a range of services to engage and assist low income and vulnerable consumers in the energy market. We encourage the Commission to investigate the scale and scope of investment into assistance that benefits low income and vulnerable energy consumers in other states, including household energy efficiency programs, phone advisory services, community-based training and information services, and financial counselling.

As an example, some of services funded by the South Australian Government are summarised below.

- An *Energy Advisory Service* which offers free help and advice to the general public on energy issues including how to save energy at home and financial advice on energy bills. The service is funded by the South Australian government and includes an 1800 telephone line, email address and an office for visitors to meet a staff member in person.<sup>38</sup>
- The *Energy Partners Program* which assists community organisations to help their clients and local communities to understand their energy use and take action to reduce it. The program is funded by the South Australian Government and includes the provision of a range of resources including a Home Energy Toolkit which is available in libraries across the state.<sup>39</sup>
- The *Residential Energy Efficiency Scheme*, a mandatory scheme that requires retailers to fund the provision of free home energy visits and other energy efficiency activities targeted at concession card holders and hardship customers. Retailers can engage community groups to deliver home visits.<sup>40</sup>

<sup>38</sup> <https://www.sa.gov.au/topics/water-energy-and-environment/energy/saving-energy-at-home/check-and-reduce-your-energy-use/energy-advisory-service>

<sup>39</sup> <https://www.sa.gov.au/topics/water-energy-and-environment/energy/saving-energy-at-home/assistance-for-organisations-that-work-with-households/energy-partners-program>

<sup>40</sup> <https://www.sa.gov.au/topics/water-energy-and-environment/energy/rebates-concessions-and-incentives/retailer-energy-efficiency-scheme-rees>

- *Financial Counselling* services which are funded by both the Commonwealth and South Australian Governments and delivered through community organisations. A national financial counselling helpline supports the referral of clients to a free, independent and confidential face-to-face consultation with a qualified financial counsellor who provides information, support and individual advocacy in relation to a person's financial situation.<sup>41</sup>
- *Utilities Literacy Program* which offers free 2-day training for community workers across 16 regional areas of South Australia, Utility Expos for the general public to obtain direct assistance with their bills and a Utilities Literacy Helpline for people experiencing difficulties with their bills.<sup>42</sup>

### Frontline community service delivery

The community sector delivers important support and assistance to low income and vulnerable electricity consumers. Over the past five years, there has been an increasing pressure on the community service sector nationally to meet demand for assistance with energy costs. The 2012 ACOSS Australian Community Sector Survey showed a dramatic increase in the demand for help with paying electricity bills, with over 80 per cent of services saying it had increased – either a lot (55 per cent) or a little (29 per cent).<sup>43</sup> The report also noted that the provision of assistance with financial hardship due to energy costs was being pushed into the scope of emergency relief services, as financial counselling services are increasingly unable to meet growing demand.

***“I spend a lot of time each week contacting Ergon re: people who can’t pay their bills on time”***

*Emergency Relief Volunteer,  
Rural and remote Queensland*

This has certainly been QCOSS's experience in delivering our Energy Literacy Workshops, as a significant number of attendees seeking information on how to assist people with energy bills were emergency relief volunteers. Emergency relief workers at one Brisbane agency estimate that approximately 80 to 85 per cent of their clients seek help as a direct result of a household energy bill they cannot afford to pay.<sup>44</sup> Without resources within community organisations to provide energy information and advice, the assistance available to low income and vulnerable people is limited. The provision of one-off emergency relief does not empower households to take control of their electricity bills.

<sup>41</sup> Urbis, August 2014. South Australian Disconnection Project.  
[www.sacoss.org.au/sites/default/files/public/140828\\_South%20Australian%20Disconnection%20Project.pdf](http://www.sacoss.org.au/sites/default/files/public/140828_South%20Australian%20Disconnection%20Project.pdf)

<sup>42</sup> <https://www.tenders.sa.gov.au/tenders/contract/view.do?id=9421>

<sup>43</sup> Australian Council of Social Service. Australian community sector survey 2013: National report [online]. Strawberry Hills, NSW: Australian Council of Social Service, 2013, p32.

<sup>44</sup> Chester, L. October 2013. *The Impacts and consequences for low income Australian households of rising energy prices.*

Victorian consumer groups report there is also an increase in demand for financial counselling services due to increased referrals from retailers. The Consumer Action Law Centre reports that retailers appears to be 'outsourcing' their hardship support by referring customers to financial counsellors to undertake capacity to pay assessments and negotiate on their behalf.<sup>45</sup> This trend of growing demand for financial counselling services to assist people in energy bills, and people being referred from both other community services and retailers, is particularly concerning in Queensland, as *"Queensland and the Northern Territory remain the only jurisdictions that do not fund a dedicated, generalist financial counselling program"*.<sup>46</sup> This means Queensland has a much lower level of capacity within the community sector to support vulnerable people at risk of electricity debt and disconnection.

***"We do not know where to refer clients who experience a backlog of bills and who can support them with the process of applying for hardship"***

*Housing Support Worker, Brisbane*

***"[Priority should be] getting more funding for financial counselling... With the loss of funding for financial counselling it is hard for me to refer clients to a financial counsellor as they are busy"***

*Mental Health and Family Counselling Service Provider, Rural Queensland*

While the demand faced by the community sector in relation to energy seems to be growing, the vast majority of survey respondents indicated that they were not specifically funded to provide assistance to clients in relation to energy bills. In our energy workshops and the online survey, workers frequently expressed disappointment about the cessation of the Home Energy Saver Scheme (HESS), previously funded by the Commonwealth Government. This program targeted vulnerable households having difficulty paying their energy costs, and provided practical advice and support including advice about energy efficiency strategies in homes, to reduce bills where possible, to assist people to access concessions and other forms of targeted support, and to link households with broader support such as financial counselling.

The value of the role community services play in the energy market cannot be underestimated. For people who are disadvantaged and vulnerable, it is important that they have access to someone they can trust to provide them with information and advice, or guide them through the process of contacting their retailer and negotiating a payment plan. Community services are an important intermediary to assist customers at risk of disconnection to engage in the market. Through our online survey, we gathered a wealth of information on the role of the community services sector in assisting people overcome the challenges they face in avoiding debt and disconnection with their retailer. These perspectives are shared in this section.

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<sup>45</sup> Research results from Kildonan's Energy Efficiency program, Pgs 1-2 , <https://www.kildonan.org.au/media-and-publications/research/>

<sup>46</sup> [www.financialcounsellingaustralia.org.au/getattachment/Corporate/Publications/Annual-reports/FCA-Annual-Report-2013-14.pdf](http://www.financialcounsellingaustralia.org.au/getattachment/Corporate/Publications/Annual-reports/FCA-Annual-Report-2013-14.pdf)

Workers responding to the survey reported that their clients are frequently unaware of, or unable to access, concessions or hardship assistance. Because they were unaware of assistance, many respondents noted that clients often avoided taking any action for a length of time, which compounded the problem. 67 per cent of responses to the survey indicated that many clients did not contact their retailer as they were worried that admitting they cannot pay their bill would result in disconnection.

***“They are unaware they can request a payment plan”***

*Aged Care Support Worker, SEQ*

***“Often when the bill keeps escalating each month and the client cannot afford to pay... they start avoiding the retailer. We usually see them when this response has stopped working for them – so they are in crisis and often the bills at this stage are quite large”***

*Frontline Community Worker, Regional Qld*

Respondents commented that hardship support and HEEAS information was very rarely offered proactively by retailers. 32 per cent of respondents indicated that retailers offered payment plans ‘only if prompted’. Workers also reported that many payment plans were frequently set at amounts which were impossible for a client on a limited income to afford, and that given their lack of understanding about their rights, people were agreeing to these arrangements even though they could not afford them. These experiences point to an inconsistency in how retailers offer hardship support to customers, and highlight the critical function the community sector plays in guiding and assisting vulnerable customers through this process.

***“Many clients struggle to meet the rising price of electricity bills, and are uninformed on their rights and obligations. It is my observation that clients are often pressured into making agreements with retailers that they cannot meet”***

*Tenancy Support Worker, SEQ*

***“Some clients don't have the ability to continue the conversation after they are told that they have to pay an amount by a certain time, they are not aware that they can continue the conversation and explain that they are in financial difficulty and need assistance”***

*Emergency Relief Coordinator, Rural Queensland*

As reported in responses to our survey, clients frequently do not engage with their retailer if they are experiencing debt or at risk of disconnection for a number of reasons. Even if clients are aware of assistance, the survey found a range of barriers preventing people from accessing help without support and guidance. Some three quarters of workers surveyed (76 per cent) noted their clients had low literacy, numeracy or English language skills to contend with, and in addition often received limited understanding or support from retailers. 85 per cent of workers also reported that clients are typically experiencing some form of stress which limits their capacity to take action, and that the community services sector had a role in addressing the holistic needs of the client as part of their work in assisting them to take action in regards to the electricity bill.

There is also a sense that the community sector offers an independent and trusted intermediary were clients not to trust their energy provider. One third of respondents (34 per cent) believed their clients did not want to discuss their personal or financial situation with their retailer. Many also reported that clients find letters from retailers intimidating (67 per cent) or are hesitant to engage with them due to a poor experience with a retailer in the past (57 per cent).<sup>47</sup> This indicates that community services play a vital role in addressing these barriers to provide advice and support to connect people with the assistance they need to avoid debt and disconnection.

***“These are clients who are generally disempowered in their lives and this is yet another ‘crisis’ they have to deal (or don’t) and they just don’t have the coping skills to do this logically and calmly”***

*Family and Child Support Worker, SEQ*

***“Many clients have stated that they find trying to make a payment plan with a retailer very intimidating as they are forceful with the amounts that they will except as a payment plan. Even after the client has stated they can’t afford the amount the retailer has set down”***

*Housing Support Workers, Regional Qld*

## **Advocating on behalf of clients**

In some instances, the barriers for customer to engage directly with the retailer are best overcome by the worker advocating directly on their behalf. The survey brought to light experiences community workers had in dealing with retailers on their clients’ behalf. These included some positive experiences, although negative responses outweighed positive ones at a ratio of roughly 5:1. Respondents reported that retailers were difficult to negotiate with, and that they needed to “strongly advocate” each time they dealt with them. Some mentioned that customers got better outcomes when a community worker called on their behalf

***“Concern [is] that some clients when they call are not supported... if we call [on their behalf] we have a better outcome”***

*Emergency Relief Worker, Regional Qld*

***“There is no identification that the person may have communication difficulties. [They] require support to engage with retailers”***

*Sexual Assault Support Worker, SEQ*

***“I have one particular client that has an intellectual impairment and is illiterate. This client finds it incredibly distressing discussing his electricity bill with retailers, particularly the long waits and [having] to explain the issue repeatedly”***

*Tenancy Support Worker, SEQ*

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<sup>47</sup> Multiple responses were permitted.

***“Clients are often intimidated by calling the retailer, as they are in significant financial hardship and are unable to pay any amounts towards bill”***

*Tenancy Support Worker, SEQ*

***“Clients often struggle with the complexities of budgeting and finances and are overwhelmed. There is often mental health issues and lack of confidence in dealing with creditors and services that demand money and a sense of hopelessness”***

*Frontline Housing Support Worker, SEQ*

## Energy efficiency programs

In response to electricity price increases in recent years, many Australian households have reduced their energy consumption by investing in energy efficiency appliances, home upgrades and installing rooftop solar panels.<sup>48</sup> This suggests that many households with the means and capacity to do so have explored energy reduction options. However, low income and disadvantaged households face barriers to implementing energy efficiency measures, and this contributes to their capacity to pay, as high prices, low incomes and lack of control over consumption create a situation where debt and disconnection are inevitable. Based on the information provided on page 60 of the Issues Paper, QCOSS considers there is significant opportunity to introduce a targeted energy efficiency program for low income and disadvantaged households facing electricity debt and at risk of disconnection.

Responses to QCOSS’s survey, as described in the introductory context, highlight that disadvantaged households tend to demonstrate an ‘energy conservation’ response to high electricity bills, rather than an energy efficiency response. Many turn to unsafe practices such as using candles or turning off hot water systems to cut costs.

Alternatively, many low income households who do not conserve their energy find themselves in a situation where they are facing the consequences of high and insurmountable debt or disconnection. While retailers provide energy efficiency information to customers in these situations, there is limited value for a vulnerable or disadvantaged person in receiving generic energy efficiency advice from an energy company over-the-phone.

This is because:

- many customers are unable to clearly understand or respond to the messages due to issues associated with stress, crisis, intellectual capacity and comprehension, disability, or language and cultural barriers;

***“The poor have the least ability to afford energy efficient devices and to access premises with solar”***

*Emergency Relief Volunteer, SEQ*

***“A lot of our clients can’t afford to upgrade their electrical appliances so they are using old fridges and freezers that are consuming far too much electricity”***

*Disability Service Provider, Regional Qld*

***“People on low fixed incomes can’t afford the prices especially in rental housing”***

*Emergency Relief Volunteer, Rural Qld*

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<sup>48</sup> ACOSS, 2014. [http://acoss.org.au/images/uploads/ACOSS\\_ENERGY\\_EFFICIENCY\\_PAPER\\_FINAL.pdf](http://acoss.org.au/images/uploads/ACOSS_ENERGY_EFFICIENCY_PAPER_FINAL.pdf)



- energy efficiency information is not targeted to the specific needs of the household who may have faulty appliances or specific needs and usage patterns compared to a 'typical' household;
- many customers are experiencing other financial, family, personal or medical stresses which must be recognised and addressed as part of a broader conversation about their situation; and
- many customers, particularly those who are experiencing chronic hardship and poverty, distrust retailers and fear 'the system', so they are unlikely to have a frank and open conversation with their energy retailer who has the power to disconnect them.

Energy efficiency is one way households struggling with electricity bills can take control and actively reduce their cost of living. We are supportive of approaches which seek to empower low income and disadvantaged households with information, education and support that enables them to take action that results in long-term and sustainable improvements to reduce their bills. However, as is widely acknowledged, low income and disadvantaged households face multiple barriers to implementing energy efficiency improvements. These barriers include:

- ***Split incentives between tenants and landlords.***

Tenants make up 33 per cent of household across the state.<sup>49</sup> This proportion is higher in some areas, for example Cairns (48 per cent), Caboolture (46 per cent) and Ipswich (37 per cent). Trends in housing tenure indicate that the proportion of households in private rental sector is increasing over time.<sup>50</sup> Low income people make up a disproportionate percentage of renters, and 91 per cent of households in the lowest net worth quintile are renters.<sup>51</sup>

Tenants face a number of barriers to improve the energy efficiency of their home and fixed appliances. For example, tenants are more than twice as likely to be living in an un-insulated home, when compared to owner occupied homes.<sup>52</sup> There are also barriers to tenants accessing other cost-saving measures such as solar panels and controlled load tariffs. Aside from the financial barriers for the landlord to improve properties, tenure is also a barrier for free energy efficiency programs. Evidence from other programs suggests that landlords tend to withhold permission for improvements to properties that would benefit tenants, even where there is no cost involved.<sup>53</sup>

- ***Upfront costs for energy efficient appliances.***

People on low incomes are more likely to own old and inefficient refrigerators, use cheap and inefficient heaters, and are more likely to use electric hot water heaters instead of gas or solar.<sup>54</sup> Many low income households purchase low-cost

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<sup>49</sup> ABS 2011

[www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/3?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/3?opendocument&navpos=220)

<sup>50</sup> ABS 4130.0 - Housing Occupancy and Costs, 2011-12.

[www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4130.0Main%20Features22011-12?opendocument&tabname=Summary&prodno=4130.0&issue=2011-12&num&view](http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4130.0Main%20Features22011-12?opendocument&tabname=Summary&prodno=4130.0&issue=2011-12&num&view)

<sup>51</sup> ABS, 2013, Household Wealth and Wealth Distribution Cat. 6554.0 (2011-12).

<sup>52</sup> ACOSS 2013, Ibid.

<sup>53</sup> ACOSS 2013 Ibid.

<sup>54</sup> ACOSS 2013 Ibid.



inefficient second-hand whitegoods, or, as they have limited access to affordable credit, end up putting further pressure on their household budgets by purchasing appliances through expensive rent-to-buy schemes or high interest loans through pay-day lenders. Prior to the cessation of HESS, there were added incentives for people to purchase energy efficient appliances through NILS and reduced costs of delivery for people in regional areas.<sup>55</sup>

- ***Access to information.***

As described previously, a significant proportion of vulnerable people experience literacy and numeracy issues. This has implications for energy efficiency messages, as people with low literacy and numeracy may not only lack knowledge of the relevant facts, but are also limited in their ability to seek out information to acquire this knowledge. The accessibility of existing energy efficiency information specific to Queensland is limited for many households, particularly those from a culturally and linguistically diverse background, people with a disability and those with limited or no access to the internet. These households require face-to-face support to verbally explain energy efficiency concepts and practically demonstrate energy efficient behaviours in the home.

- ***Crisis and other complex issues.***

Energy retailers commonly report lack of engagement as a key issue inhibiting their ability to assist vulnerable customers. 85 per cent of respondents to QCROSS's online survey indicated this lack of engagement by customers is because households are experiencing stress which limits their capacity to respond and take action. Recognising these stresses is a critical component to successfully engaging low income and disadvantaged households in a conversation about their energy consumption and achieving long term outcomes.

Energy efficiency is an important part of the conversation for low income households to prevent recurring disconnection and provide customers with the tools and confidence to take control of their bills in an effective way. However, for these households a conversation about energy efficiency is only part of a conversation which must include recognition and discussion of other issues impacting their ability to pay. Many low income and disadvantaged households are experiencing other complex issues such as domestic violence, mental health issues, relationship and family breakdown or disability which contribute to their problems with their energy bills.

Independent and trusted programs that provide information or support to assist low income consumers reduce their energy costs by taking control of their consumption are an important safety net for consumers. These programs can provide critical assistance to people who are accruing debt and facing disconnection because they cannot negotiate an affordable payment plan due to a mismatch between their income and consumption.

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<sup>55</sup>[www.goodshepherdmicrofinance.org.au/sites/default/files/27%20May%202013\\_%20Media%20Release\\_%20HESS%20Launch\\_Final%20Version.pdf](http://www.goodshepherdmicrofinance.org.au/sites/default/files/27%20May%202013_%20Media%20Release_%20HESS%20Launch_Final%20Version.pdf)

QCOSS considers there are many more opportunities for energy efficiency and other support for vulnerable consumers to be delivered by in partnership with community-based organisations with proven experience in working with vulnerable customers.

***“They [HESS workers] were vital to the assistance of clients who could not manage electricity or gas accounts for many reasons. The information provided by the HESS workers was valuable and a necessity within the holistic service we strive to offer to many”***

*Financial Counsellor, SEQ*

Throughout the survey and in our energy workshops, people from the community sector talked about the value of the Home Energy Saver Scheme (HESS), previously funded by the Commonwealth Government, as a useful model for engaging people at risk of debt and disconnection in energy efficiency messages as well as linking them with other forms of support (both energy related assistance as well as broader social support services). The benefits of a home energy audit go far beyond the savings to energy bills, as they also provide consumers with broader education around using energy and managing costs. While the HESS program was ceased prior to any formal evaluation, a report by Kildonan describes the outcomes of a similar program.<sup>56</sup> QCOSS suggests the Commission could investigate the value of energy efficiency programs that have been offered in other states, for example NSW previously had a *Home Power Savings Program*, which delivered low-cost energy efficiency retrofits to over 220,000 households across NSW and have now introduced a *Home Energy Action Program* which will provide \$26.8 million for an energy efficiency assistance program to help low income households reduce their energy bills in partnership with community housing providers.<sup>57</sup> QCOSS is also interested in the extent to which retailers partner with community services to deliver energy efficiency support to vulnerable clients, and what incentives there could be to increase the incidence of these arrangements. This appears to be more common in other states, perhaps in response to schemes that create incentives for retailers to deliver energy efficiency outcomes for their low income customers.

## Consumer advocacy

As referenced on page 56 of the Issues Paper, QCOSS receives funding from the Queensland Government under two agreements:

- A *Low Income Advocacy Agreement* for 1 July 2014 to 30 June 2016 to represent the interests of low income and vulnerable consumers in energy policy and market reform, and to deliver workshops to community organisations in South East Queensland to assist them to help their clients manage energy bills in the competitive market.
- A *Residential and Small Business Agreement* for 1 January 2015 to 31 December 2016 in partnership with Chamber of Commerce and Industry Queensland to convene a Queensland Energy Consumer Reference Committee to represent the diverse interests of small business and residential

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<sup>56</sup> Kildonan – from heat or eat p14

<sup>57</sup> NSW Government, 2015. <http://www.environment.nsw.gov.au/resources/households/heap-faq.pdf>

consumers in policy and market reform, and to run three workshops for South East Queensland small business and residential customers to assist them to navigate the competitive market.

QCOSS has also sought additional resources from Energy Consumers Australia to allow us to extend some of this work into regional Queensland in 2015-16 in response to strong demand from community agencies statewide. We have also recently sought funds from Energy Consumers Australia to access consultancy expertise to assist us to effectively represent Queensland consumers in the recent AER Queensland Distribution Revenue Determination for 2015-2020.

It is our view that there is strong demand for more programs to strengthen consumer advocacy and capacity building for low income and vulnerable consumers, and that these programs must include scope and resources to allow for state-wide assistance. We have outlined below some information on the workshops conducted and suggestions made by attendees about what else is needed to assist them in supporting their vulnerable clients with electricity bills.

### **QCOSS Energy Literacy Workshops**

Between February and August 2015, QCOSS held 14 Energy Literacy Workshops across the state. These workshops were targeted at frontline employees and community volunteers working with low income and disadvantaged people experiencing difficulties managing their electricity bills. From our experience, attendees also gain significant knowledge as electricity customers themselves and skills that can be applied in their own households.

The workshops covered:

- An overview of the electricity market, including discussion of price trends and drivers, an introduction to the supply chain and the regulatory framework in Queensland.
- Description of electricity charges, including fixed and variable charges, controlled load tariffs, solar feed-in tariffs and changes in the tariff structure over time.
- Interactive session on energy efficiency to demonstrate how to calculate the usage cost of different appliances and tips on how to reduce energy costs.
- How to read and understand your electricity bill.
- Demonstration of the Energy Made Website price comparison website to compare offers including tips on shopping around (South East Queensland workshops only).
- How to access Government concessions, including an in-depth session on how to apply for the Home Energy Emergency Assistance Scheme.
- How to engage with energy retailers, including discussion of payment plans, hardship programs and tips for getting the best outcome if you are struggling to pay a bill.
- Discussion about the Energy and Water Ombudsman Queensland's role and systemic issues identified through customer complaints in Queensland.

The initial workshops were three hours in length, and did not include the interactive session on energy efficiency. QCOSS responded to feedback that this was not enough time and that there was strong interest in more energy efficiency information. Subsequent workshops were extended to five hours in regional areas and a full day in South East Queensland locations.

14 workshops were held across the state (including various locations across Brisbane, Ipswich, Caboolture, Sunshine Coast, Gold Coast, Toowoomba, Roma, Rockhampton, Mackay, Townsville, Cairns and Mt Isa). The workshops are designed to cater for between 30-40 attendees – to allow the sessions to be interactive and engaging – although some of the more remote locations had smaller numbers. Approximately 459 people registered for workshops across the state. Attendees included employees and volunteers from organisations such as the St Vincent de Paul Society, Salvation Army, Multicultural Development Association, Benevolent Society, Ozcare, Lifeline, Indigenous Consumer Assistance Network, local neighbourhood centres and many other community organisations.

Evaluations of the workshops have been positive with high satisfaction scores and attendees agreeing or strongly agreeing that they feel more confident to address energy issues for their clients when they arise.

Suggestions provided for what else is needed to support them in their work included:

- Energy workshops for clients
- In-home energy assessments for clients
- Financial counselling services to refer clients to
- More workshops and similar events
- Reintroduction of the HESS program

***“These workshops are fantastic. It has pointed out to me to network with other groups to find out where to get help”***

***“Useful tips for working with people in my case management role. Will be more confident to share the early prevention tips around contacting retailers as soon as payment issues arise”***

***“Brilliant opportunity to inform on-the-ground service providers”***

***“Keep up the workshops. Things change everyday”***

QCOSS has also commenced online webinars to disseminate workshop information to a wider audience. Webinar recordings, factsheets and other materials developed by QCOSS in relation to energy are available on the QCOSS ([www.qcross.org.au](http://www.qcross.org.au)) and Community Door ([www.communitydoor.org.au](http://www.communitydoor.org.au)) websites.

## Future technologies, tariffs and business models

QCOSS has been actively participating in the consultation processes being undertaken by Ergon Energy and Energex as they develop their future network tariff structures.<sup>58</sup> We have some concerns about the potential impact of the proposed tariffs on many households, particularly low income and vulnerable groups, and the capacity of those households to understand and respond to the tariffs.

We are conscious that the tariff decisions of the network businesses could have significant consequences for many households, particularly those who are on very low incomes and are therefore disproportionately impacted by price fluctuations and price instability. As such, QCOSS has identified a number of enabling conditions which will be necessary for the proposed network tariff reform in Queensland to be effective in meeting its objectives.

### Real-time customer trials

QCOSS believes that the collection of information through real-time trials will be critical after the introduction of the voluntary demand tariffs. The trials must include a broader group than just the early adopters, and should be designed in a way that allows for the collection of demographic information about the households involved. At a minimum, trials should include households across vulnerable residential groups including those on low incomes, seniors, people with medical conditions that require electricity for temperature control or life support equipment, carers and people with a disability, Aboriginal and Torres Strait Islander households, and Culturally and Linguistically Diverse households.

This trial would provide valuable information necessary to understand not only the real customer impacts, but also the behavioural responses that are feasible for these groups, and the practical implementation issues that will be faced by a wide range of consumers when interacting with these tariffs in the market. It would also provide an opportunity to compare and contrast outcomes against other tariff options, to confirm whether the demand tariff approach is the most effective in meeting the intended objectives. Information from a real-time trial will also be useful to inform appropriate consumer education initiatives and government policy reform.

### Transition phase

QCOSS believes that a transition phase will be required to ensure customer acceptance and uptake of the proposed tariffs. In this transition phase, there may be a need to initially compromise on some objectives to more effectively meet others. Introducing a simpler tariff structure (that may not be 'ideal' from the distributors' perspective in terms of cost reflectivity but may perform better against other objectives

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<sup>58</sup> <https://www.qcoss.org.au/submissions-ergon-energy-and-energex-future-electricity-network-tariffs>

such as bill stability or simplicity), may be necessary to ensure customers are engaged and protected in the early stages of reform. For example, a Time of Use tariff could be useful as a measure to engage consumers in the conceptual features of new tariff structures and the practice of load shifting before more complex and less predictable demand-based charges are introduced.

The transition phase should also include a built-in 'cap' or bill protection mechanism to protect consumers from significant bill shock for a period of time while they adjust to the new tariff. This mechanism could be adjusted over time so that the threshold is increased, or eligibility is reduced. This would mean those households who might otherwise experience bill shock have the opportunity to understand the tariff and their energy use patterns, and consider the appropriate behaviour change required to ensure their bills are manageable when the protection is removed. Consideration should be given to retaining this bill protection mechanism for highly vulnerable customers such as those with medical related energy needs and low income households with large families.

QCOSS is concerned that without some form of transition period, there is a risk that consumers will become confused or that poor outcomes in the early stages will result in the public being put off by their own or others' experience of unexpectedly high bills. This presents a broader public perception and political risk which may be detrimental to the long-term pathway towards cost reflectivity.

### Communication/consumer education

The success of tariff reform is heavily dependent on consumer acceptance, understanding and uptake. This is particularly the case in Queensland where advanced meters are not widespread, and in regional areas where there is not effective retail competition. QCOSS believes that a targeted education program is required to meet the needs of vulnerable households, particularly people from non-English speaking backgrounds, Aboriginal and Torres Strait Islander households and people with low literacy and numeracy skills. Investment in consumer education will be required to build consumer trust and ensure equal opportunity for uptake. QCOSS considers that while industry, community sector and governments all play a role, government leadership is required to ensure investment in strategies to engage vulnerable customers and coordination across broader communication strategies undertaken by industry stakeholders and other energy messaging.

QCOSS has held multiple energy workshops with representatives from the community services sector this year, including three workshops specifically on demand tariffs. Our experience is that most people do not understand their existing charges or usage patterns, and that this basic knowledge must be built before engagement on demand tariffs can be effective. QCOSS considers for many consumers, and particularly those that are vulnerable or disadvantaged, face-to-face engagement and independent information delivered under a staged approach by trusted third parties is the most effective way to get these complex messages across.

## Wider reform on concessions and/or consumer protections

QCOSS believes it is high risk to allow tariff reform to progress without the reform of complementary social policy measures. Without effective and targeted concessions, tariff reform could easily result in detrimental outcomes for vulnerable consumers. As mentioned earlier in this submission, QCOSS has been advocating for concession reform for a number of years. Specifically, we consider there is an urgent need for the Electricity Rebate eligibility to be widened to include holders of the Commonwealth Health Care Card. This would include unemployed singles and couples without children, as well as some low income working households. We also advocate for change in the structure of the rebate, such as a percentage-based rebate to allow the amount provided to adjust alongside changes in the price impact of different tariff structures for consumers, and safeguard against bill shock. There is a need to investigate other existing concessions and consider new options that may be appropriate, depending on the tariff structures proposed.

## Fair access to technology

QCOSS is aware that demand tariffs require the customer to have an advanced meter and that this will represent additional costs for consumers. However at this stage, there is no clarity about the magnitude of these costs and how they will be applied to customers.<sup>59</sup> This is particularly the case for customers in regional Queensland where there is no retail competition. Without this information, it is impossible to estimate the likely uptake of demand tariffs and potential cost barriers for low income households.

We are concerned that low income households may find themselves in a position where they either cannot afford an advanced meter or must opt for models without useful features, such as load control. Further, they are likely to experience significant financial and other barriers to accessing supporting technologies to maximise the benefits of new tariff structures, such as appliances with in-built delay functions for load shifting and in-home display devices. This may limit their ability to benefit from the new tariffs in comparison to other households and – to use an analogy – is akin to going on a road trip without a fuel gauge or speedometer.

Financial barriers aside, many low income people are tenants and in some cases if there are wiring issues may have to rely on landlord permission to install an advanced meter. QCOSS is concerned that low income tenants who may benefit from demand tariffs could miss out on deriving those benefits due to lack of access to meters or associated technology.

We are equally concerned about the risk for vulnerable consumers who remain on the 'default' tariff as consumers gradually move to advanced meters and demand tariff options. We are concerned this default tariff may become less affordable in an effort to shift customers onto new tariff options.

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<sup>59</sup> QCOSS has raised these questions and issues associated with the introduction of competitive metering in our submission to the AEMC - <https://www.qcoss.org.au/submission-aemc-draft-rule-determination-expanding-competition-metering-and-related-services>



QCOSS proposes a 'fair access to technology' initiative be implemented to assist low income households, and particularly tenants, to have equal opportunities to adopt new tariffs and supporting technologies to benefit from new tariffs. Such an initiative should include investment to reduce the financial and other barriers that households face in adopting the necessary technologies, as well as a commitment to investigating policy and legislative reform where barriers are non-financial. This includes a commitment to addressing split incentives in the private rental market.