

FACTSHEET: EMPOWERING DISADVANTAGED HOUSEHOLDS TO ACCESS AFFORDABLE, CLEAN ENERGY

This fact sheet summarizes the key findings from a joint ACOSS, BSL and TCI report [Empowering disadvantaged households to access affordable, clean energy](#)

Rising energy prices hurt people experiencing poverty and disadvantage. As does climate change. At the moment Australia is addressing neither of these issues. Change is needed urgently.

Low-income and disadvantaged households suffer most from these unnecessary price rises. Some go without basic needs like heating and food or don't send their kids on school excursion just to pay the bills. Others have their electricity or gas disconnected with high costs for them and their family.

'I can never pay on time and I have to go without other things like proper meals to be able to pay my electricity bills, water and phone bills.'

'Living expenses are so high and it's hard to find work as a single mum. Bills take up whatever income is left after paying high rent.'

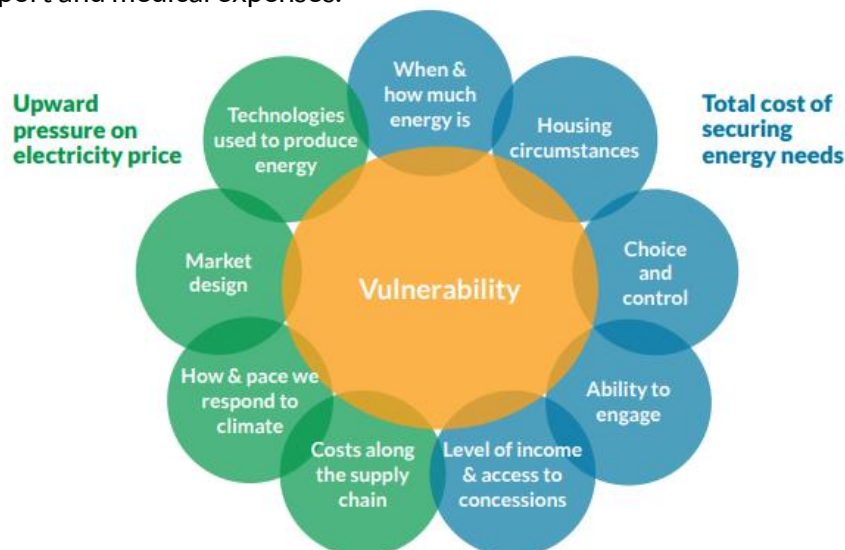
'It is hard to keep on top of the bills and the money goes there instead of other essential items I could be buying for my children.'

'I have cut down on electricity everywhere and every way possible. If I cut down any more then we simply would not be using any ever! It is a nightmare. It is causing a lot of anxiety and depression.'

Source: NCOSS (2017) Turning off the Lights: The Cost of Living in NSW

The report also clearly spells out that it is not just the price of electricity that hurts vulnerable households. It is also the total cost of securing their energy needs and their ability to pay. These are influenced by many factors including housing circumstances; how much and when energy is used; the ability to access information; energy market design; eligibility for concessions and access to technology.

The evidence shows people's ability to pay energy bills is closely linked to the costs of other essentials such as housing, transport and medical expenses.



Australia can do better – energy is an essential service we must make clean energy available and affordable for all.

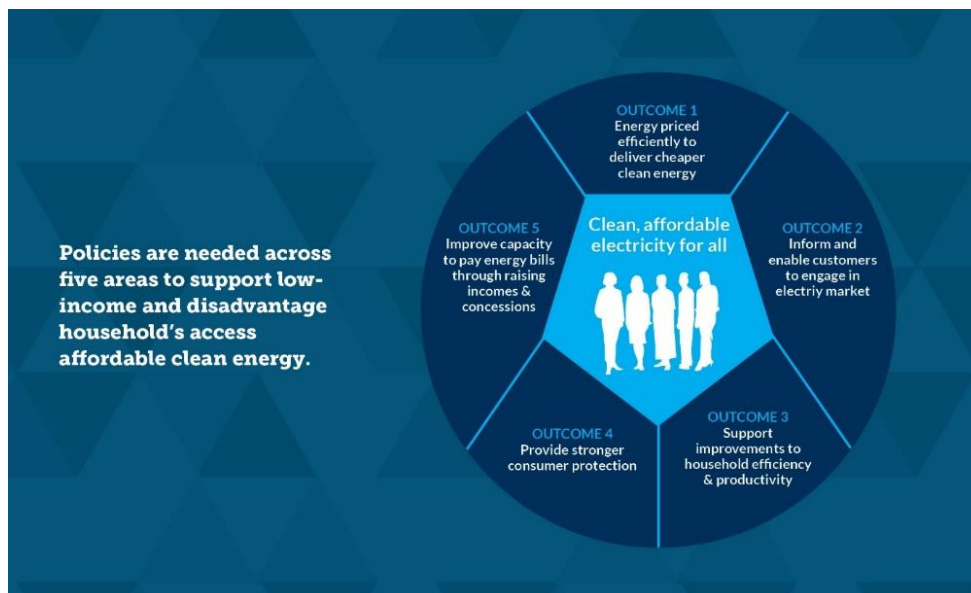
There are clear energy market and non-energy market options to transition to clean energy, reduce electricity prices and relieve the pressure on low income households

To clarify the problem and identify workable solutions ACOSS, TCI and BSL consulted over 120 community, environment and energy expert stakeholders nationally, through face to face and online consultation forums.

The report recommendations are intended to direct urgent Government attention to critical areas of reform and to consider further policy development, while noting other reforms will also be necessary.

Five policy outcomes were identified as necessary to support low-income and disadvantaged households as we transition to clean energy, requiring action to:

- Deliver cheaper clean energy,
- Inform and enable consumers engage in electricity market,
- Improve household efficiency and productivity,
- Provide stronger consumer protection and
- Improve capacity to pay bills.



Within the five outcomes there are clear energy market and non-energy market options to transition to clean energy, reduce electricity prices and relieve the pressure on low income households.

OUTCOME 1: CLEAN ENERGY PRICED EFFICIENTLY

The policy objective of efficient electricity pricing is enshrined in the National Electricity Objective.¹ However, as indicated by steep hikes in wholesale costs, recent ballooning network costs, stubbornly high retail margins, significant cross-subsidies, externalised emissions costs, and messy signals for the entry and exit of generation capacity caused by ongoing policy uncertainty, the current state of electricity pricing is very far from efficient across almost every component of the retail bill stack.

There are many factors behind the rise in electricity prices, including high gas fuel costs,² sudden tightening of the supply-demand balance caused by generators exiting at short notice,³ decreasing competition and the exercise of market power,⁴ excessive expenditure on network capacity,⁵ and, in South Australia, a greater need for ancillary services coupled with an underdeveloped framework for their provision.⁶

However, an overarching driver of higher prices is the lack of a reliable policy and regulatory framework that supports efficient investment in clean energy and supporting technologies. This, in turn, is related to weaknesses in the system of governance of the electricity sector.

Reducing the uncertainty requires the integration of climate and energy in ways that solve each aspect of the energy trilemma – affordability, emissions reduction, and security and reliability – and in ways that are consistent with the long-term climate objectives to which Australia has committed through the Paris Agreement.

National and international experience suggests that a single policy mechanism cannot achieve this. There are many factors and policy levers that can influence how efficiently energy is priced. They can include policies that minimise upward pressure on price, by, for example, making coal generator retirements more predictable; or tariff reforms that provide downward pressure by minimising the need for future network builds. Without policy adjustments across each element of the supply chain (wholesale, network, retail), unnecessary and unfair costs are likely to increase.

The solution clearly calls for a more comprehensive approach to market reform and transition management. The reforms and the way the costs are allocated for the transition must be equitable and inclusive.

Recommendations

- Implement effective, inclusive & equitable stable policies to incentivise transition to clean energy, consistent with Paris [climate change] Agreement.
- Address inequitable allocation of costs associated with the transition to clean energy.
- Implement policies to manage coal generator retirement & replacement in the interests of the workers, affected communities, and energy consumers.
- Implement measures to support at-risk households access distributed energy, like community energy.
- Incorporate social and decarbonisation principles to guide the decision making of the National Energy Market.
- Implement policies to improve utilisation of demand management & distributed energy that are inclusive & equitable.

OUTCOME 2: INFORMED AND ENABLED CONSUMERS

Increasingly, consumers are being required to engage in their home energy usage if they want to lower their energy bills. However, it is important to understand that some households face limits and barriers to engage with the market, which may include lack of capital, language and literacy barriers, rental, or geography. This issue has come to the fore in states with competitive retail markets, where many households are paying 15-20% more than customers who actively pursue the best offers.

While there is some evidence that some at-risk households do engage actively in the energy market to find the best deals, others are more disengaged and the inability to engage increases people's vulnerability.

There is clear evidence that better informing and educating consumers about their bills, energy use and the energy market significantly benefited consumers.

During the consultations, many participants argued it is unrealistic and unfair to expect all consumers to engage to the level required to access material benefits. And that many existing efforts place too much emphasis on the individual consumer and insufficient emphasis on ensuring the design of the market leads to acceptable outcomes for all consumers, including those who are disengaged.

Recommendations

- Provide targeted and local assistance programs delivered by social services to inform and enable at-risk households better understand their energy usage & engage with the energy market.
- Energy retailers develop a low-cost retail market offering for at-risk households who struggle to engage in the energy market.

OUTCOME 3 – ENERGY CONSUMED EFFICIENTLY AND PRODUCTIVELY

'I attempted to have insulation installed under the government's free scheme. The owner told us to get quotes, then said he would have the job done by someone who was doing all his properties. It never happened.'

'I requested that they [lessor] remove the gas from our property (as the bill is around \$100/Quarter and we use about \$4 of gas) & put an electric oven in so we only had one bill (the property needed a new oven). They declined.'

People living on low-incomes or experiencing disadvantage tend to live in inefficient homes and have less efficient appliances. As a result, they end up paying more for basic energy services. Yet raising a home from a 2-star to 5-star energy rating can result in a 32 percent total energy saving, or up to \$600

in annual household savings a year.⁷ The barriers are costs and access, with renting being an intractable barrier.

Around 50% of people on low incomes are living in rental properties and have limited ability to make changes to the properties they live in and landlords have little incentive to invest in upgrades which do not benefit themselves.

While there have been some successful energy efficiency programs, many of these programs run for short and uncertain periods of time; they often invest in only small ticket items and not where large scale savings can be made; and only some tailored programs include solar PV.

Significant benefits can be achieved from a greater focus on energy efficiency and productivity include relieving energy stress, improving resident's health and well-being and reducing emissions.

Recommendations

- Provide programs to support at-risk households access energy efficient products, rooftop solar and other distributed energy, with highest level of support to the most vulnerable.
- Implement minimum energy efficiency standards for rental properties & review tax policies to ensure existing tax measures support energy efficiency upgrades.
- Upgrade all public & community housing stock to best practice energy efficiency standards

OUTCOME 4 – ROBUST CONSUMER PROTECTIONS

The need for robust consumer protection for vulnerable households reflects the fact that electricity is recognised as an essential service, and some form of *universal access to affordable energy services* is required. Yet in 2016 around 160,000 households were disconnected for non-payment of their electricity or gas bill, up approximately 47 percent since 2009/10. Disconnections negatively impact on health and wellbeing, prevent heating and cooling, affect food storage and consumption, hygiene maintenance, and ability to participate in education and employment, and adds additional costs to

We note that the current transition is happening so rapidly that current consumer protections are already inadequate.

Our consultation highlighted three priority areas for ensuring robust consumer protections:

- Rethinking the policy around disconnection.
- Ensure best practice consumer protections apply in all states.
- Review the current consumer protection framework to reflect the changing market and support a more inclusive and equitable energy system, including an expanded role for the State Ombudsman.

Recommendations

- Review disconnection laws to end practice of disconnecting households because of inability to pay.
- Review and broaden coverage of energy consumer protection laws governed by the following principles:
 - make it easy for people to engage and make effective decisions.
 - apply to all energy products.
 - benefits of a transforming market are shared across the whole community.
 - And implement following no regrets initiatives:
 - Testing the need for, and form of, market interventions against real consumer decision-making.
 - Ensuring adequate access to justice by expanding the jurisdiction of energy Ombudsman schemes.
 - Requiring energy service providers to identify the consumer's purpose in acquiring a service, to ensure providers are appropriately identifying programs to help vulnerable demographics access new products and services.
 - Expand energy hardship programs to include provision of energy education, access to financial counselling, access to energy efficient products and distributive energy.

OUTCOME 5 – ALL HOUSEHOLDS HAVE A CAPACITY TO PAY

With sky rocketing energy prices more households are participating in retail hardship programs, there has been an increase in disconnections, while others are sacrificing food, heating and cooling, to avoid disconnection, demonstrating many Australians' 'capacity to pay' is no longer possible.

Three million people live below the poverty line. Of those people, 57.3% rely on income support payments as their main source of income. Unemployment and underemployment remains stubbornly high. Over half a million people have had to rely on income support for more than 12 months and many face major barriers to work. People receiving Newstart Allowance are at least \$100 per week below the poverty line, and people on Youth Allowance are at least \$150 per week below the poverty line. Social security payments are not keeping pace with the cost of living, with most indexed to price inflation rather than wage inflation, and some payments recently had increases frozen for the next three years. Yet energy price rises have outstripped inflation and have increased more than 80% since 2008.

All jurisdictions and the federal government have energy concession schemes in place that provide an important buffer against high prices, but they vary in amount, coverage and eligibility from jurisdiction to jurisdiction. Some of the lowest income households – such as those on Newstart – miss out on the Commonwealth utility support (pension supplement or utility allowance) and one-off energy assistance payment. Most jurisdictions pay a flat concession rate no matter how much energy a household uses, whereas Victoria uses a more equitable system based on usage and provides 17.5% of energy bills, so those with higher usage receive a higher rate. KPMG have argued that percentage based schemes could provide savings, especially if a concerted effort is made to improve energy efficiency in residential homes.⁸

There is overwhelming evidence that energy vulnerability is directly linked to housing stress. As the most significant fixed cost to the household budget, housing has a direct impact on the affordability of all other costs.

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Recommendations

- Improve adequacy of social security payments, in particular Newstart & Youth Allowance.
- Improve access to & amount of energy concessions, including shifting to a percentage based concession to support the most vulnerable (no state is worse off).
- Align energy policy, advocacy & research initiatives with corresponding housing and transport affordability initiatives.

Read the full report at http://www.acoss.org.au/wp-content/uploads/2017/07/ACOSS_BSL_TCI_Empowering-households.pdf



This project was funded by [Energy Consumers Australia Limited](#)

¹ 'Applying the Energy Market Objectives: A guide for stakeholders', *AEMC*, December 1, 2016, <http://www.aemc.gov.au/About-Us/Engaging-with-us/Decision-making-process/Applying-the-energy-market-objectives.aspx>

² 'Energy Shock: No gas, no power, no future?', *Australia Industry Group*, February, 2017, http://cdn.aigroup.com.au/Reports/2017/Energy_shock_report_Feb2017.pdf

³ 'State of the Energy Market', *AER*, 2015, [https://www.aer.gov.au/system/files/State+of+the+energy+market+2015+\(A4+format\)+%E2%80%93+last+updated+4+February+2016.pdf](https://www.aer.gov.au/system/files/State+of+the+energy+market+2015+(A4+format)+%E2%80%93+last+updated+4+February+2016.pdf)

⁴ *Ibid.*

⁵ 'Electricity Network Regulatory Frameworks, Productivity Commission Inquiry Report', *Productivity Commission*, April 9, 2013, <http://www.pc.gov.au/inquiries/completed/electricity/report/electricity-overview.pdf>

⁶ 'Future power system security program', *AEMO*, August, 2016, <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Security-and-reliability/-/media/823E457AE45E43BE83DDD56767126BF2.ashx>

⁷ 'One Million Homes Roundtable Summary Report', *Environment Victoria*, May, 2013, http://environmentvictoria.org.au/wp-content/uploads/2016/06/OneMillionHomes_RoundtableSummaryReport.pdf

⁸ http://energyconsumersaustralia.com.au/wp-content/uploads/KPMG-ECA_Estimating_costs_associated_with_payment_difficulties_and_disconnections_October_2016.pdf.pdf

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