



SACOSS
*South Australian Council
of Social Service*

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Ms Jackie Bishop
Senior Policy Officer
Department for Transport, Energy & Infrastructure
Level 8, 11 Waymouth St
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By email: dtei.enquiries@saugov.sa.gov.au

Dear Jackie

Residential Energy Efficiency Scheme (REES) Consultation Paper

Please find attached the SACOSS submission into the above paper. If you have any questions about this submission, do not hesitate to contact me on 08 8305 4222 or at karen@sacoss.org.au.

Yours faithfully

Karen Grogan
EXECUTIVE DIRECTOR

Background

The South Australian Council of Social Service (SACOSS) is the peak body for social and community service organisations in South Australia. Our membership which numbers in excess of three hundred, includes peak bodies in the community sector and other membership organisations. Our members offer such services as counselling, family support, emergency relief, emergency accommodation, advocacy, information and referral to people in crisis, people with disabilities, migrants and refugees, youth, aged, people on low incomes and those otherwise disadvantaged.

Executive summary

We welcome the opportunity to provide a submission to the Residential Energy Efficiency Scheme Consultation Paper. We commend the Department for its early and broad consultation with the community sector.

Collectively our organisation's members are seeing first hand the impact that energy market reform and greenhouse reduction initiatives are having in the community. The emergence of emissions trading schemes and other regulatory initiatives over the coming years has long term implications for the health and financial wellbeing of low income households in South Australia.

Since full retail contestability of electricity in South Australia in 2003, we have witnessed a substantial increase in numbers of households that suffer enduring financial hardship due to energy costs, and this is unlikely to abate. Generally, these households are referred to as *low income households*, and are often *vulnerable* to losing access to essential services.

Our submission focusses its attention on who is disadvantaged in South Australia and how the design of the REES can target the poorest households in order to break down the barriers to greater energy efficiency and to reduce energy costs. Our suggestions and comments are drawn from SACOSS's long term anti poverty agenda- the *Blueprint to eradicate poverty*, member organisation feedback and publicly state policy positions in respect to essential services such as gas and electricity

1. Typical household barriers to energy efficiency

Split incentives (principal-agent problem).

SACOSS agrees that this is a major barrier to energy efficiency that requires a robust response. Firstly, as the single largest landlord of low income households in South Australia, the South Australian Government, through Housing SA, and the Office of Community Housing, has a key responsibility to ensure all new public and community housing meets minimum energy efficiency standards. Existing stock should be audited to ensure that all properties receive insulation (topping up or new), early retirement and replacement of inefficient water heaters, installation of energy efficient heating/cooling systems, draught proofing and water efficient showerheads. Secondly, we contend that incentives for private landlords must be introduced in order to make sustainable improvements to private housing stock – again with an emphasis on fixtures and fittings such as showerheads, draught proofing, installation of energy efficient heating/cooling systems and insulation.

2. The role of energy retailers

SACOSS cannot concur with the view that the retail market is robust and competitive. It is SACOSS's view that competition has not been structured in the South Australian market in a way that benefits consumers, particularly those who are low income and disadvantaged. Further encouragement of competition amongst consumers needs to be couched in terms of consumers having the ability to make active choices and understand the reasoning behind the choice.

3. Thresholds

Consistent with our view that competition has not been structured in the South Australian market in a way that benefits consumers, SACOSS contends that all retailers should be required to participate in REES according to market share. For new retailers, participation requirement targets should be phased in following their initial retail licensing report, in order to determine market share.

4. Priority Group

SACOSS commends the REES's policy aim of targeting low income households. Poverty remains a persistent feature of South Australian society, and has increased since the mid-1990s. Poverty is 'multi-dimensional' in that it affects different groups of people in different ways. SACOSS's Blueprint sets the context for understanding poverty in South Australia, and highlights some of the different approaches for measuring poverty. In developing thinking about how to target those people who live in low income households for REES, it is important to remember that broadly speaking there are four different approaches to measuring poverty.

- *Low income* - this approach focuses on the *income* of a household as a measure of their poverty (this is widely used, but arguably too 'narrow' a measure, as it excludes overall assets and wealth)
- *Low Capabilities* – The approach advocated by Sen (1999) measures poverty through the prism of a person/household's capabilities. This means the range of powers and resources available to them to engage in society. While this is a broader measure of poverty, there is a lack of available research (particularly consistent trend data) about the extent to which impoverished South Australians lack *capabilities*.
- *Social Exclusion* – This broader approach is used by the European Commission, and focuses on exclusion and barriers to wider participation, for example health status or access to reliable and affordable transport.
- *Material Deprivation/Low consumption* – this approach was developed by Townsend (1979) and focuses on overall consumption patterns of a household. Whereas the *Low income* approach focuses on supply side of poverty (how much money a household receives), the *material deprivation* approach focuses more on the demand side (how much a *household spends*).

Measuring poverty, strictly in terms of income raises a number of problems. Income can only give an indication of a household's potential command over economic resources, but does not actually show us their consumption levels. This is a particularly pertinent point given the percentage of income that low income households may spend on energy costs.

SACOSS supports the eligibility requirements contained in the former Energy Efficiency Program for Low Income Households, That is, a household is eligible as a priority group under REES if the household is in receipt of a Commonwealth Government Income Support payment, as evidenced by a current low income health care card or Pensioner Concession Card and the household is in financial hardship due to energy costs.

5. Energy Services

SACOSS recommends that energy services should be tailored to the priority groups' individual needs. Low income households are not homogenous and a triage system should be developed in order to prioritise the level of energy services a household might benefit from upon initial referral to the energy service. Some eligible households may need a simple desktop audit while others may require more comprehensive services.

SACOSS recommends that, in the first cycle of the REES, energy services should be primarily targeted at vulnerable households - that is those experiencing long term financial hardship as evidenced by participation in a retailer hardship program, or recent disconnection because of an inability to pay. These households should receive special attention under REES by way of annual energy services in order to develop and sustain long term behavioural change and household wellbeing.

SACOSS also recommends that energy services must be conducted by suitably qualified and skilled providers, and concurs with the suggestion that minimum competencies in technical and human services skills are required. Such competencies should be set by ESCOSA in consultation. Energy services should be monitored for quality assurance.

6. Commencement , staging and duration

As well as the regulatory reporting requirements, SACOSS recommends that REES should provide a mechanism for ongoing dialogue between stakeholders over the life of the program to ensure program efficacy.

7. Retailer targets

SACOSS is keen to facilitate discussions with retailers and the community services sector in an effort to work collaboratively to deliver energy efficiency measures.

SACOSS contends that in some cases, particularly vulnerable households, 100% subsidies will be required in order for retailers to deliver energy efficiency measures. This may prove a disincentive for some retailers to target those vulnerable households Therefore SACOSS recommends an extra incentive system be developed to attract full subsidies for measures for vulnerable households

8. Compliance and reporting

SACOSS recommends that the compliance and reporting regime for REES be managed in an open and transparent way. We recommend the following:

- a. Retailers make their implementation plans public
- b. Regular consultation and feedback with the community sector in relation to targeting low income and vulnerable households
- c. An annual public forum or seminar to report progress

SACOSS has some concerns in respect to retailers banking and borrowing credits towards their targets. While some flexibility is required to accommodate a new program in the early years, we contend that any credit system should demonstrate consistency across jurisdictions. We recommend a 10% leeway in years 1 and 2 and a 5% leeway in year 3 as acceptable. Following the first 3 year cycle, SACOSS recommends that the full penalty regime should be implemented without exception.

SACOSS recommends that retailers who do not meet their targets should 'make good' within the next reporting period as well as pay the shortfall penalty. Any penalties collected should be directed towards greater subsidies for low income household energy efficiency measures.