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To whom it may concern,

**RE: Proposed tariffs to incentivise energy use in low demand periods in SA**

The South Australian Council of Social Services (SACOSS) is the peak body for the community services sector in South Australia, with an interest in the efficient delivery of essential services to communities across the state. We thank the Department for Energy and Mining (DEM) for the opportunity to provide input to the consultation paper on time of use (TOU) tariffs to incentivise energy use in low demand periods.

SACOSS understands the urgency to implement a mechanism to shift demand in SA to ensure that the low demand conditions (largely due to increased solar) do not pose risks to electricity supply for the state. However, we do express concern about the limited timeframe for responding to these changes. A September 2020 implementation date provides limited time for consultation, and does not give consumers time to understand the changes and effectively respond to them.

While SACOSS is broadly supportive of an incentive to shift demand to peak solar times and decrease electricity tariffs for those who can participate, we do caution that there is minimal understanding of the impact of TOU tariffs on disadvantaged people in SA. There are many instances where shifting demand is unlikely to occur, may be incredibly challenging for people to participate and has the potential to penalise people at most disadvantage through peak pricing. There are three significant challenges for people at a disadvantage to participate and benefit from TOU pricing. These include, energy literacy, ability to be flexible with demand, and availability of technology – such as interval meters, timers on appliances and apps. Quite simply there is very little research and understanding in SA of how a TOU tariff will best work for people, and in particular people living with disadvantage.

Research undertaken by the Group of Energy Efficiency Researchers (GEER) Australia, notes that for many low income households, they are not using enough energy to keep warm or cool, which affects their comfort levels and ability to feel in control of their energy use. This can be compounded by the poorly designed energy inefficient homes they may live in which may also contain older appliances and insufficient insulation<sup>1</sup>. This is an important factor to consider, as the ability of these households to be able to benefit from TOU is limited. The term 'pre-cooling' has been used by the DEM as a way people can cool their homes before coming home to utilise the solar sponge off peak tariff. However, an energy inefficient home will lose any coolness of that home in a very short period of time. Pre-cooling will not work in that situation, likewise with 'pre-heating' of a home.

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<sup>1</sup> Bedggood, R., O'Mahony, C., Pervan, F. and Buergelt, P. (2018) Empowering Low-Income Households: Delving into the Co-Benefits Identified in the Low Income Energy Efficiency Project Reports. Final Report: GEER Australia, Swinburne University of Technology and Charles Darwin University. <https://energyconsumersaustralia.com.au/wp-content/uploads/Empowering-Low-Income-Households-delving-into-LIEEP-co-benefits.pdf>

This is an issue of housing stock, which granted is not the focus of this consultation. However, as every household will be different, these are considerations that need to be made to ensure that the TOU tariff works for everyone. In particular low income households need to have the ability to participate in TOU pricing if they wish, and should not be further disadvantaged or penalised for their inability to shift energy use to the solar sponge time, in order to maintain comfort levels of their home.

Other circumstances where people may be unwittingly disadvantaged include what has been identified as the 'family formation group' who are characterised by families with young children on average to low incomes with high mortgage/housing costs, and high energy use. As discussed by Nicolls and Strengers (2014)<sup>2</sup> in their research on the flexibility of energy practices in family households, children's needs come first in family households with the family peak period occurring in most homes from afternoon to early evening (3-9pm). This period of time also coincides with higher peak pricing (above flat rate pricing) with SA Power Networks TOU tariff, which is 125% of the single rate price.

The research by Nicolls and Strengers (2014) also found a disengagement from making choices in electricity markets, despite rising electricity costs. This disengagement was compounded by low levels of energy literacy. Participants in the research were uncertain about their electricity tariffs and presumed electricity was cheaper at night, even with a flat rate tariff. Critically, many families in the research expressed their inability to change their daily routines for a TOU tariff as it was impractical for them and understandably, family routines were prioritised over costs savings. Participants in the research did however note that it may be possible for them to respond to 'peak alert' notifications to cut back on electricity use during a critical peak period.

Energy Consumers Australia (2020) in their Power Shift Report<sup>3</sup> findings discuss the diverse needs of individual households and note that information has to be tailored to people's personal circumstances and lifestyle, for people to benefit. This will be critical to the success of implementing a TOU tariff as information that may assist a retired couple to use energy in off peak times, may not be suitable for a family who have less flexibility in their time of use. In addition, a trusted voice is required to provide this information to residents. Issues such as those noted above will obviously limit the number of people who are able to respond to and derive the benefits of TOU tariffs. In fact, TOU tariffs may penalise others who are unable to shift their demand easily.

SACOSS encourages a more detailed engagement with consumers to understand social practices and ensure that the benefits of a TOU tariff is realised, both for grid stability and for consumers in SA through reduced electricity costs. TOU pricing requires consumer flexibility and responsiveness to price changes. This assumption – that people will respond to price changes is not always true and will be dependent on the type of household and the activities in the home that energy is being consumed for.<sup>4</sup> Significant social practice research on energy has been undertaken and needs to be applied more rigorously in SA to assist consumers to understand TOU pricing. Stelmach et al (2020) note that demand reduction is better understood by people if the unit of analysis is the actual activity using energy, rather than kilowatt hours used.<sup>5</sup> There also needs to be further engagement with consumers on their willingness (and ability) to shift energy use, in response to peak and off peak pricing. Research by Stelmach et al (2020) also showed that tasks such as cooking, watching television and using a computer at peak demand periods were the areas that consumers were least willing to shift.

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<sup>2</sup> Nicholls, L & Strengers, Y (2014) *Changing demand: Flexibility of energy practices in households with children. Interim Report, Findings from interviews with 44 family households*, Centre for Urban Research, RMIT University, Melbourne.

<sup>3</sup> Energy Consumers Australia (2020) *Power Shift – Final Report*, <https://energyconsumersaustralia.com.au/projects/power-shift>

<sup>4</sup> Stelmach, G., Zanocco, C., Flora, J., Rajagopal, R., & Boudet, H. (2020) Exploring household energy rules and activities during peak demand to better determine potential responsiveness to time of use pricing. *Energy Policy*, Volume 144.

<https://doi.org/10.1016/j.enpol.2020.111608>

<sup>5</sup> Ibid.

To assist in ensuring benefits with TOU pricing and mitigating further disadvantage with electricity costs in the state, SACOSS recommends that the SA government enacts a competitive, sponsored retail TOU market offer in conjunction with undertaking a comprehensive analysis of its potential impacts for low income households and other disadvantaged households.

This retail offer could be similar to the arrangement the SA government entered into with Energy Locals for the Virtual Power Plant trial to ensure that customers are always getting the best priced offer available. Similarly, in order to better understand the impact and social practices in disadvantaged households, we propose a partnership between the SA government and an organisation such as the Community Housing Council of SA (CHCSA) and its members should be considered. The analysis should involve examining the types of household supports that are actually required to enable household energy literacy and thus engagement with time of use benefits. A collaboration of this kind would potentially provide national leadership on a complex issue and enable the SA government and other stakeholders such as SACOSS to better understand the social practices, likely constraints and positive impacts of TOU tariffs for people living in community and social housing. We would expect that this might have application more broadly to other low income and disadvantaged households.

A government sponsored retail TOU market offer would also need to ensure other measures of support are in place to address other costs of implementation such as the installation of interval metering and timers on appliances. A broader education campaign would also need to be developed and put in place to assist people to best utilise and benefit from the TOU tariff in combination with technology such as apps that may alert people when the best time to use energy for certain household tasks occurs.

The great risk we face is that if we do not focus on the potential outcomes for some of the most disadvantaged households, we are likely to implement measures which only result in further penalising and disadvantage for those households. We would be delighted to discuss the issues raised in this submission in more detail and we are interested to explore with the DEM how more extensive research could be implemented to directly address the issues raised for disadvantaged households with TOU pricing.

Thank you in advance for consideration of our submission. If you have any questions in relation to this submission, please contact Maureen Boyle at [maureen@sacoss.org.au](mailto:maureen@sacoss.org.au) or 8305 4233.

Yours sincerely,



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