



# **Modelling impacts of changes to the electricity concession**

Preliminary Findings

National Consumer Roundtable  
on Energy

29<sup>th</sup> April 2021

# Project Background

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- Energy Consumers Australia (ECA) funded project modelling impacts of changes to electricity concessions.
- This builds on work conducted by the Energy Concessions Campaign Group and Roundtable Enabling Group to improve the effectiveness of energy concessions and rebates across all jurisdictions.

# Objective of Energy Concessions and Rebates

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## Objective of Energy Concessions

- To improve the [ongoing] affordability of energy bills for people who need additional financial support to access enough energy to sustain reasonable living standards.

## Principles

Energy Concessions should be:

- **Adequate** to afford enough energy to sustain contemporary living standards in line with community expectations, which includes support for access to education, employment, social inclusion, health and wellbeing and to guard against disconnection, debt and restriction.
- **Equitable** to improve affordability of energy reflective to need. (a) Between people/groups, (b) between networks within Jurisdictions, and (c) between jurisdictions
- **Responsive** to accommodate changing: energy price, market or technology development; seasonal variations; and household conditions and circumstances
- **Available** to people who need additional [ongoing] financial support to access enough energy to sustain contemporary living standards
- **Easily accessible** to people who are eligible
- **Complementary** to a package of measures (of governments, energy and community sectors) to maximise their effectiveness and to promote equity in the standard of living of all people in Australia

# Project Aims and Outcomes

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- **To build a robust evidence** base to help consumer groups develop shared principles and policy positions regarding concessions reform;
- **Informing and influencing key decision makers** such as State Governments and Federal Government; and
- **Strengthening the ability for consumer groups to advocate** for energy concession reform in each jurisdiction to better meet the energy needs of people on low incomes.

# Project Design

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**Project Purpose**  
Develop evidence based to help develop shared policy positions regarding concessions reform to inform and influence decision makers

## Stage 1 Data Analysis

**Oct 2020 – Jan 2021**

- Modelling of percentage-based concession and hybrid concession against status quo in each jurisdiction
- Analysis of impact on different concession card holders
- Design of **workbook** that allows users to model various concession scenarios
- **Interim report** summarising key findings from Stage 1



## Stakeholder Workshops

**March – April 2021**

### Workshop 1 - Purpose

- Analyse Stage 1 research findings against **objectives and principles**
- Identify additional modelling considerations and policy options needed to meet our objectives and principles

### Workshops 2 & 3 - Purpose

- Develop and agree on up to 3 x policy proposals for stage 2 modelling



## Stage 2 Data Analysis

**May 2021**

- **Modelling of scenarios** and transition strategies developed in the stakeholder workshops
- **Budget impact analysis** comparing costs of model scenarios and current budgets for concessions

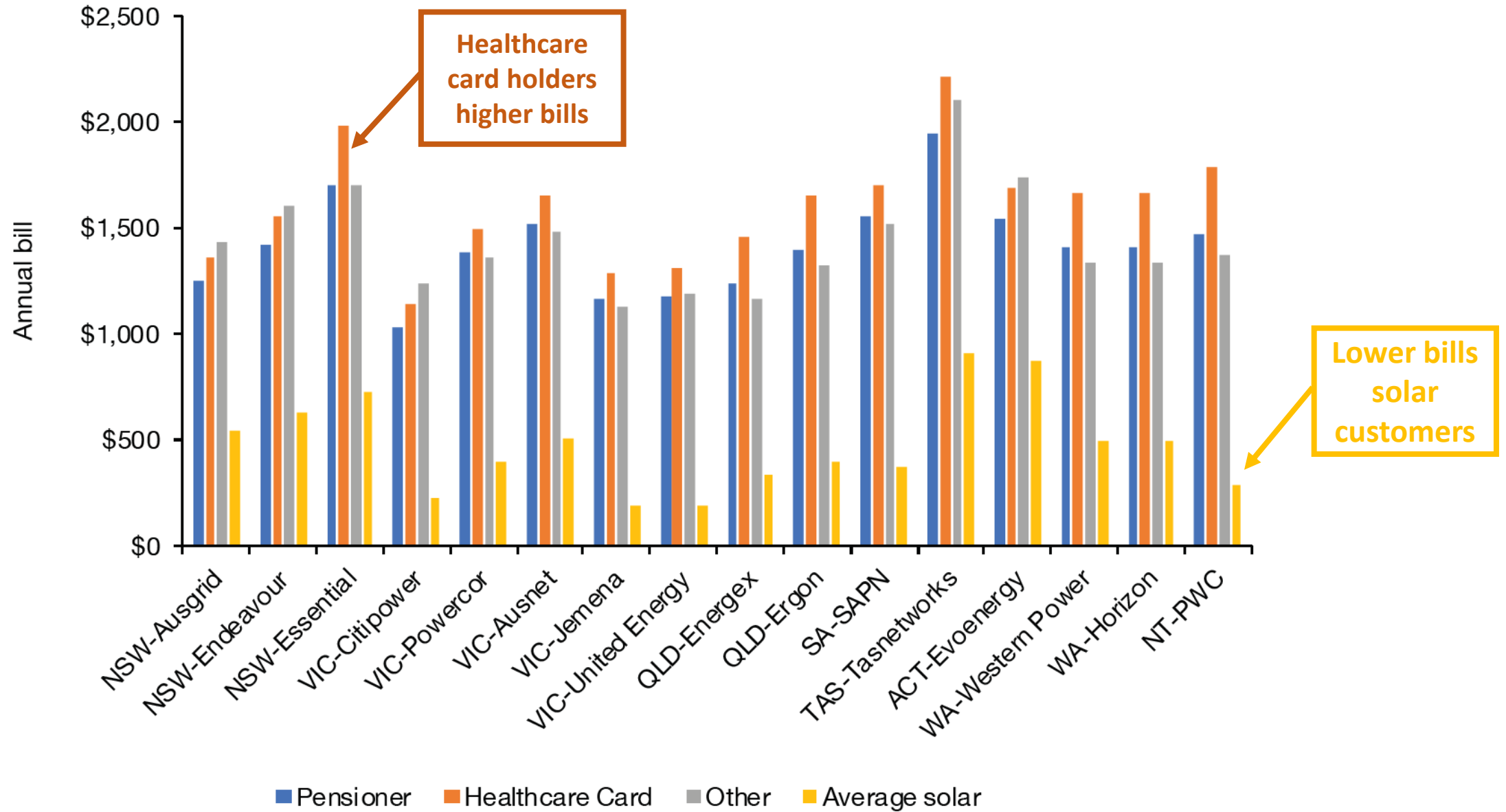
# Stage 1 – Methodology and Assumptions

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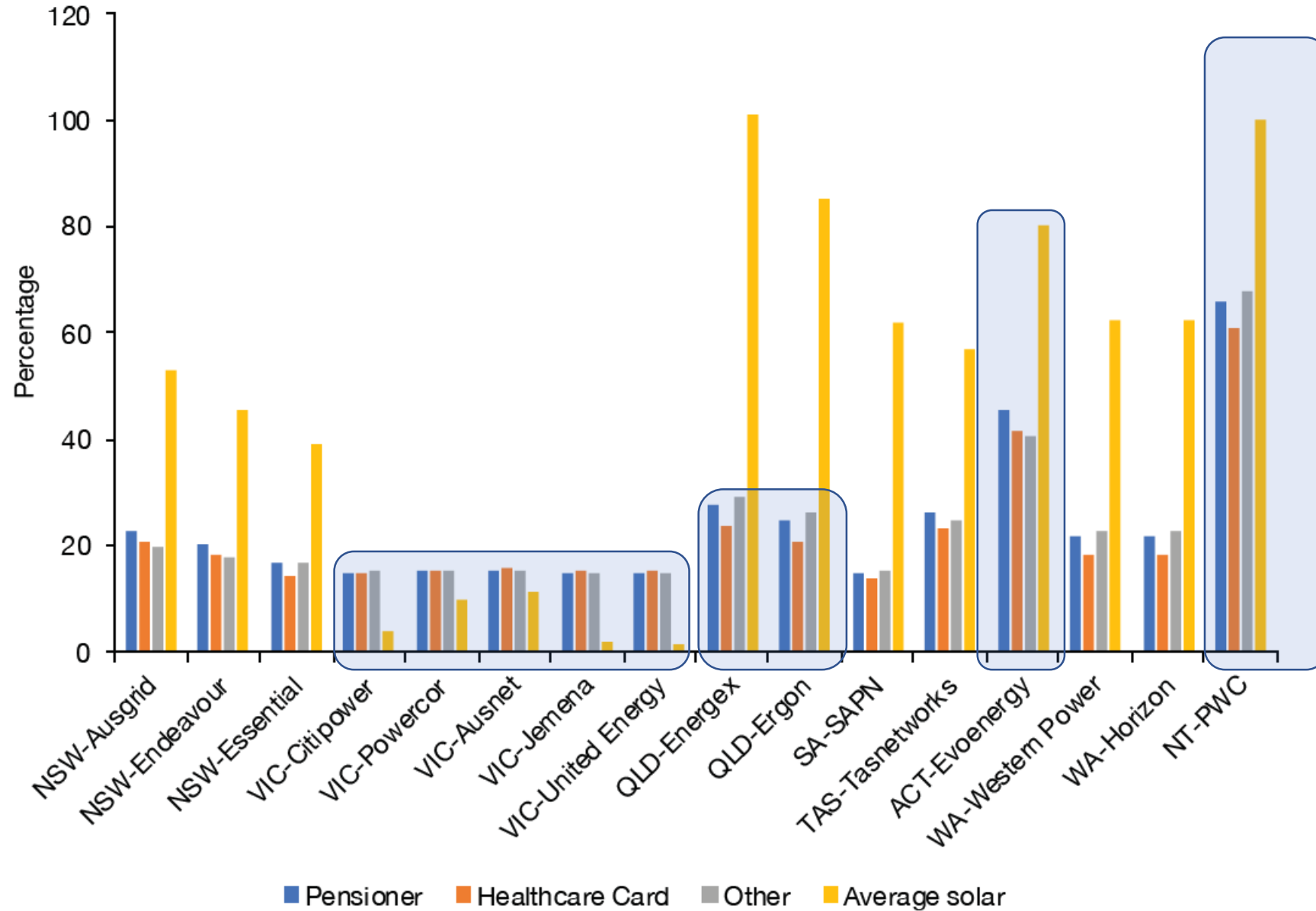
- Only the **main electricity concession** in each jurisdiction was included in the model
- Four main categories of concession recipients were analysed:
  1. Pensioners
  2. Health Care Card holders
  3. Other card holders\*
  4. Concession recipients in categories 1 - 3 with solar
- AGL provided customer numbers and average annual consumption for each category as well as non-concession card holders for NSW, Vic, SE QLD, and SA
- For ACT, Nth QLD (Ergon Network), WA and NT, assumptions were developed based on AGL data, total customer numbers, solar uptake and Department of Social Services data

\*Includes: QLD Gov's Seniors Card, Veterans' Affairs Gold Card etc

**CHART 1 | Annual bills excluding concession and GST for pensioners, Health Care Card holders, other card holders and concession recipients with solar based on average market offer as of October 2020, single rate, inclusive of guaranteed and pay on time discounts<sup>16</sup>**



**CHART 3 |** The relative value of the current concession (excl GST) for pensioners, Health Care Card holders, other card holders and concession recipients with solar based on average market offer as of October 2020, single rate, inclusive of guaranteed and pay on time discounts<sup>20</sup>





# Stage 1 – Key Findings

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## Current flat rate concession

- Significant difference between jurisdictions with respect to value of energy concessions, NT followed by ACT then Queensland have highest relative value, Vic and SA lower.
- Customers on low consumption are getting an effective discount of between 40-60% depending on network/jurisdiction and people with high consumption are getting discounts around 10% depending on network/jurisdiction. Those with higher consumption worse off under flat rate
- As HCC holders typically have higher consumption than pensioners, the relative value of the current concession is lower for HCC holders in jurisdictions with a fixed concession amount.
- In some jurisdictions (NSW, VIC, QLD) Regional areas tend to have higher bills, often due to higher fixed network price and/or more temperature extremes, the current flat rate concession is more beneficial for people in city/urban areas
- Flat rate doesn't respond automatically to price increases
- Solar customers getting significant benefits, especially in QLD (major factor in QLD may be the generous feed-in-tariff) and some NT h/holds may have no bill after concessions

# Stage 1 – Key Findings

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## Full percentage-based concession

- In all jurisdictions, except the ACT and NT, concession recipients without solar would be better off if concession was between 14% and 30% (slightly higher for ACT 21 – 33%)
- Health Care Card holders and households in regional areas need a lower percentage to be maintain or improve relative value of concession.
- Full percentage improves equity between healthcare card holders and pensioners (as seen in Victoria) and regional and urban (as seen in Victoria)
- A percentage concession could provide equity across most jurisdictions if all Jurisdictions provide the same percentage base. But would require some jurisdictions to either reduce their current concession rate or increase it (noting NT would be highest and vic and SA the lowest).
- Full percentage would provide same or better value from households that consume above 3-6,000 kw per annum (depending on network area and jurisdiction i.e. SA and QLD the sweet spot was around 3-4,000).

# Stage 1 – Key Findings

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## Hybrid concession

- Under hybrid models considered\*, concession recipients without solar would, on average, be better off under all the scenarios modelled in NSW, VIC, QLD, SA, and WA. In Tasmania and ACT the outcome depends on how the hybrid concession is structured.
- A hybrid concession model would make the relative value of the concession more similar across jurisdictions, but government budgets would have to increase in some jurisdictions
- In jurisdictions that currently offer relatively high fixed concession amounts, however, a hybrid model can significantly reduce the relative value of the concession for recipients
- Hybrid is slightly more generous to low consumption households than full percentage based but still significantly lower than the flat rate (depend on size of the fixed component)
- Hybrid is more generous to solar owners than percentage based

# Assessment Criteria to assess alternative models (Draft!)

	Flat rate	%-based	Hybrid
<b>Primary</b>			
Adequate to meet need, including not driving underuse of energy ( <b>high</b> )	Gov budget	Gov Budget	Gov Budget
Improves equity of outcomes between:			
• people/groups ( <b>high</b> )			
• people across different networks within a jurisdiction ( <b>high</b> )			
Is responsive to changes in consumption, for example: ( <b>High</b> )			
• As a result of seasonal variation ( <b>High</b> )			
• As a result of energy efficiency and productivity of house ( <b>medium</b> )			
Is responsive to retail price or tariff change ( <b>high</b> )			
Can be responsive to other technology/market changes			
<b>Secondary</b>			
Can create equity between Jurisdictions ( <b>low</b> )			
Consider impact on financial sustainability of Government budget ( <b>medium</b> )	Budget certainty	Savings/re distribute	?
Is complementary to other supports (align interest of government with interest of household)	?	?	?

# Potential Scenarios for Modelling (Stage 2)

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- **Low Consumption:** Arrangement similar to Victoria's "service to property charge concession" (picking up low consumption households and targeting fixed component - access issue) or can't get less than X amount.
- **Transition arrangement:** What happens to concession numbers/budget if we give existing concession holders the option of keeping current arrangements vs moving to a new model (hybrid/full-percentage) and all new eligible holders would go to the new model:
  - Solar and non-solar are grandfathered
  - Non-solar are grandfathered
- **Transition arrangement:** Model an upfront cash component that is invested in solar, batteries, energy efficiency measures, shift to all electric homes etc.

# Relative Value of Concession

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- Relative value of concession → percentage reduction to annual bills

## Worked Example

- Annual bill\* without Concession = \$1000
- Annual energy concession = \$250
- Relative value of concession =  $\$250/\$1000$  (i.e. 25%)

\* based on the average market offer (as of October 2020), single rate, inclusive of guaranteed and pay on time discounts