SACOSS
South Australian Council of Social Service

Annual SACOSS Briefing to the Minister for Energy:

Energy Pricing Issues Affecting South Australian Consumers

July 2022

Annual SACOSS Briefing to the Minister for Energy: Energy pricing issues affecting South Australian Consumers. June 2022.

First published in July 2022 by the South Australian Council of Social Service

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Contents

Background **4**
Wholesale and retail electricity prices **4**
Default Market Offer (SA) and Victorian Default Offer **12**
Debt and hardship data (SA and Vic) **19**
Assessing Impacts of Changes to Energy Concessions **25**
Background 25
Current energy concession arrangements are inequitable 26
Current concessions vs. alternative concession models 27
Transition strategies to move to a percentage-based concession 27
Grandfathering/legacy arrangements for current concessions 28
Supporting customers with very low consumption levels 29
Applying a cap to the percentage-based concession 29
SA Concessions Budget Impact Analysis 29
References **31**

Background

As per the funding agreement with the Minister for Energy and Mining ("Minister") for SA Energy Consumer Advocacy Capacity, SACOSS is required to provide an annual briefing to the Minister about energy pricing issues that affect South Australian consumers. The briefing is to include provision of an ongoing comparison between South Australia and Victoria as a benchmarking tool. This paper fulfils this annual briefing output.

The following briefing focuses on wholesale and retail electricity prices in SA and Victoria, the Default Market Offer (DMO), energy consumer protection data and concessions.

Wholesale and retail electricity prices

The spot market sets the price for wholesale electricity traded in the National Electricity Market (NEM) every five minutes, with recent changes in market conditions resulting in extreme increases in wholesale spot prices for electricity in May and June of this year.

From 31 May to 13 June 2022, the volume weighted average spot price across the National Electricity Market was around 3.5 to 5.6 times higher (ranging from $341 to $590/MWh) than spot prices observed for Quarter 1, 2022 (see Figure 1, below).[1] These extreme market conditions resulted in the Australian Energy Market Operator (AEMO) suspending the wholesale market in all NEM regions on 15 June 2022. AEMO acted because it determined that 'it had become impossible to operate the wholesale market while ensuring a secure and reliable supply of electricity for consumers in accordance with the National Electricity Rules (NER)'.[2]

On 17 June 2022, the Australia Competition and Consumer Commission (ACCC) reported that:[3]

> *Since 31 March 2022, expectations of future wholesale prices have increased in Queensland, New South Wales, South Australia and Victoria by at least $140/MWh. Future wholesale prices are expected to remain higher across most regions over the next 4 years. Relative to 31 March 2022, expected prices over the next 4 years as at 3 June 2022 were:*

[1] ACCC, Addendum to the Inquiry into the National Electricity Market – May 2022 Report, 17 June 2022, p. 2-3

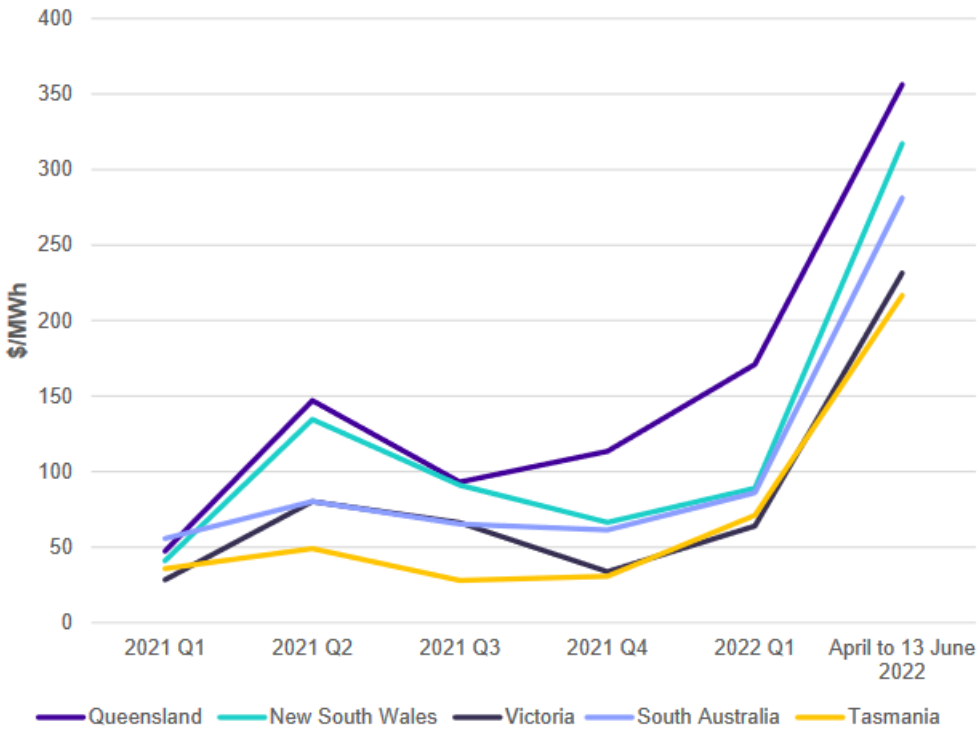
[2] Australian Energy Market Operator, AEMO suspends the NEM Wholesale Market [media release], Australian Energy Market Operator Limited, 15 June 2022

[3] ACCC, Addendum to the Inquiry into the National Electricity Market – May 2022 Report, 17 June 2022, p. 5

- *16–121% higher in Queensland*
- *24–178% higher in Victoria*
- *31–167% higher in South Australia.*

The ACCC found there were several factors driving these price increases, including:[4]

- surging gas prices
- very high coal prices (likely a result of the war in Ukraine and international customers seeking to source coal from suppliers other than Russia)
- changes to the generation mix
- weather events (flooding, higher than average temperatures, a cold front in May, rain and strong winds damaging infrastructure).



Source: ACCC analysis using Australian Energy Market Operator (AEMO) data. Figure shows the volume weighted average, quarterly, in real 2022 dollars.

Figure 1: Quarterly wholesale spot prices across National Electricity Market regions, quarter 1 2021 to current quarter. Source: ACCC (2022, p.3)

These recent dramatic increases are in contrast to the relatively low wholesale prices for electricity recorded over the last two years, as shown in Figure 2. In South Australia, wholesale prices fell throughout 2020 and were projected by the Australian Energy Market Commission's (AEMC) Price Trends Report 2021 to continue to fall by almost 14 percent, or

[4] ACCC, Addendum to the Inquiry into the National Electricity Market – May 2022 Report, 17 June 2022, pp. 8- 12

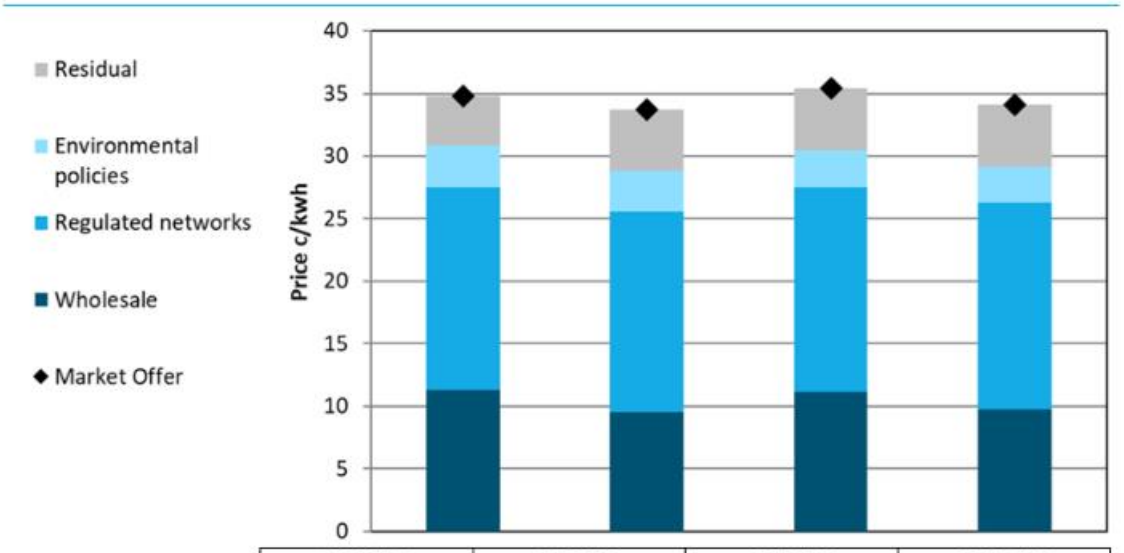
$79 between financial year 2020/21 and financial year 2023/24 (see Figure 2). [5] These projections were based on increased solar PV, contributing to negative pricing events in SA.[6]

The AEMC's Addendum to its Price Trends Report 2021, published on 25 May 2022,[7] noted the changes in international events (including the war in Ukraine) and Australian energy markets in 2022 have impacted the cost of fuel inputs, and in turn the cost of contracts for power, which will flow through to the costs borne by consumers into the future. The AEMC has warned the forecasts in the Price Trends Report should be treated with caution as they don't reflect the impact of recent events. Nevertheless, SACOSS considers it is useful to point to predictions made prior to recent events, in order to highlight potential negative future household energy price impacts by comparison.

[5] Australian Energy Market Commission (2021) Residential Electricity Price Trends 2021, Final Report. November 2021

[6] Australian Energy Market Commission (2021) Residential Electricity Price Trends 2021, Final Report. November 2021, p.15.

[7] Australian Energy Market Commission, Price Trends 2021 – Addendum, 25 May 2022



	2020/21 Base Year		2021/22 Current Year		2022/23		2023/24	
	c/kwh	$/year	c/kwh	$/year	c/kwh	$/year	c/kwh	$/year
Environmental policies	**3.38**	**$169**	**3.27**	**$163**	**3.01**	**$150**	**2.86**	**$143**
LRET - LGC cost	0.68	$34	0.51	$25	0.37	$19	0.28	$14
SRES - STC cost	0.99	$50	1.10	$55	0.97	$49	0.92	$46
Feed-in Tariff Schemes	1.46	$73	1.41	$71	1.41	$71	1.41	$71
REES/REPS	0.25	$13	0.25	$13	0.25	$13	0.25	$13
Regulated networks	**16.18**	**$809**	**16.11**	**$806**	**16.33**	**$816**	**16.55**	**$827**
Transmission	3.39	$170	3.56	$178	3.72	$186	3.88	$194
Distribution	12.33	$617	12.09	$605	12.14	$607	12.20	$610
ACS Metering	0.46	$23	0.46	$23	0.46	$23	0.46	$23
Wholesale	**11.31**	**$566**	**9.49**	**$475**	**11.16**	**$558**	**9.74**	**$487**
Residual	**3.97**	**$199**	**4.81**	**$241**	**4.91**	**$245**	**5.00**	**$250**
Market Offer	**34.84**	**$1,742**	**33.68**	**$1,684**	**35.40**	**$1,770**	**34.14**	**$1,707**

Source: AEMC analysis
Note: All figures are exclusive of GST

Figure 2: Trends in SA Supply Chain components (pre-wholesale market increases seen in May/June 2022). Source: AEMC, (2021, p. 15)

Prior to the events of the last couple of months, in the last quarter of 2021 wholesale electricity spot prices increased to an average of $87MWh across all NEM regions, which is an increase of approximately 67 percent. The highest increases in wholesale spot prices were in QLD (Figure 3 below).[8] The main drivers of increased wholesale prices across the NEM in the first quarter of 2022 included lower availability of thermal generation, with the largest reduction in QLD. Brown coal output also fell to the lowest level since the start of the NEM. Both black and brown coal generators produced 678MW less on average.[9]

[8] Australian Energy Market Operator (2022) Quarterly Energy Dynamics. Q1 2022.
[9] Australian Energy Regulator (2022) Wholesale Markets Quarterly Q1 2022. January – March, p.8. https://www.aer.gov.au/system/files/Wholesale%20Markets%20Quarterly%20Report%20Q1%202022%20%281%29.pdf

Other factors that were identified as contributing to increased wholesale prices in early 2022, included higher operational demand up by 314MW across the NEM, due to warmer conditions and increased economic activity. The evening peak between 1700 hours to 2200 hours contributed to the highest prices in Quarter 1, 2022.[10] Price volatility, particularly in QLD also contributed to higher prices, as well as transmission constraints on the Victoria to NSW interconnector.[11]

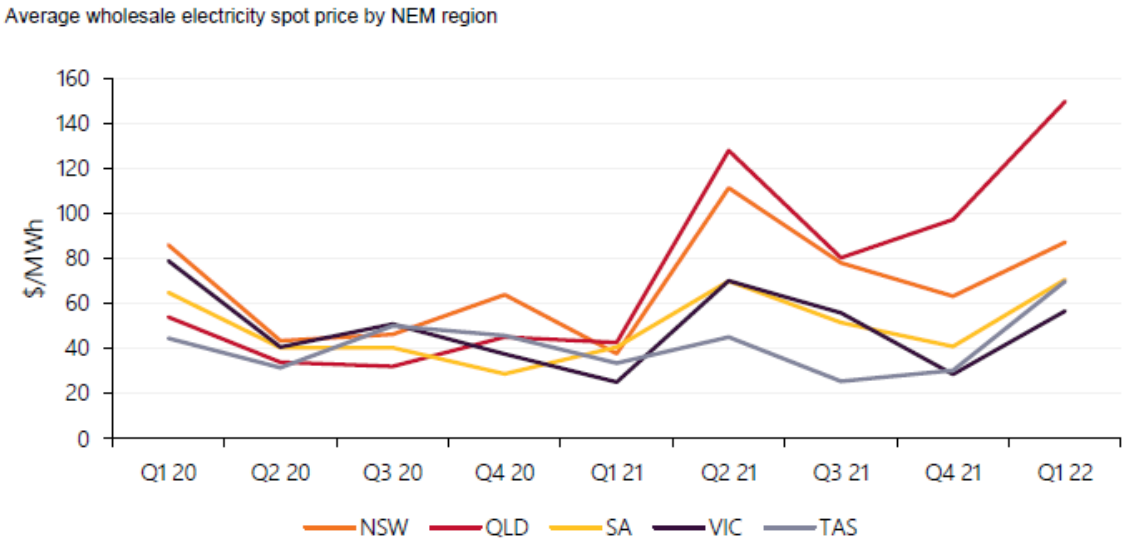


Figure 3. Wholesale spot prices by region. Source: AEMO (2022, p.10)

Overall though, with the exception of the ACT, Figure 4 shows that prior to the recent events in the NEM, the AEMC projected annual residential bills would fall across NEM regions over a three-year period to 2023/24.

[10] Australian Energy Market Operator (2022) Quarterly Energy Dynamics. Q1 2022, p.12. https://aemo.com.au/-/media/files/major-publications/qed/2022/qed-q1-report.pdf?la=en
[11] Ibid.

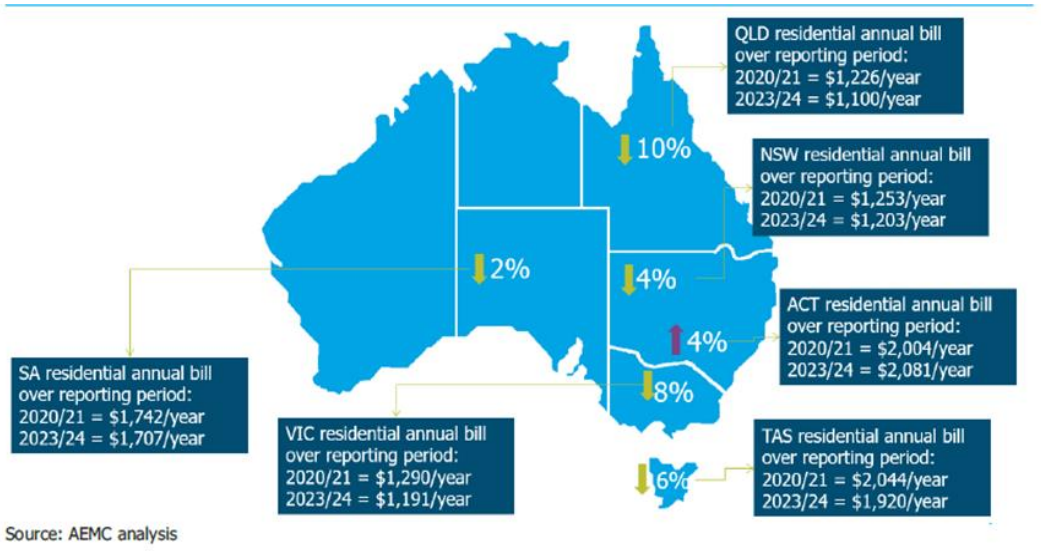
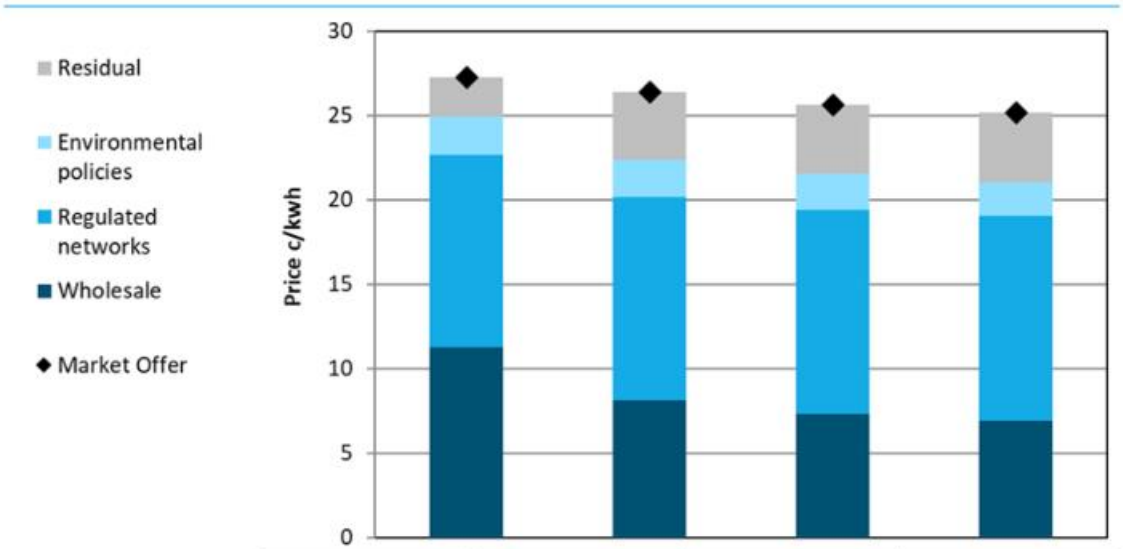


Figure 4: Trends in Annual residential bills by jurisdiction over three-year period (pre-wholesale market increases seen in May / June 2022). Source: AEMC (2021, p. 2)

In November 2021, the AEMC projected wholesale prices in Victoria would fall out to 2023/2024 by 39 percent or approximately $207 over three years (Figure 5, below) due to increased generation capacity, particularly wind.[12]

[12] Australian Energy Market Commission (2021) Residential Electricity Price Trends 2021, Final Report. November 2021. p.14. https://www.aemc.gov.au/sites/default/files/2021-11/2021_residential_electricity_price_trends_report.pdf



	2020/21 Base Year		2021/22 Current Year		2022/23		2023/24	
	c/kwh	$/year	c/kwh	$/year	c/kwh	$/year	c/kwh	$/year
Environmental policies	**2.26**	**$107**	**2.22**	**$105**	**2.15**	**$101**	**2.01**	**$95**
LRET - LGC cost	0.64	$30	0.48	$23	0.35	$17	0.27	$13
SRES - STC cost	0.99	$47	1.10	$52	0.97	$46	0.92	$43
Feed-in Tariff Schemes	0.37	$18	0.37	$18	0.37	$18	0.38	$18
VEU	0.26	$12	0.27	$13	0.45	$21	0.45	$21
Regulated networks	**11.38**	**$538**	**12.03**	**$568**	**12.09**	**$571**	**12.15**	**$574**
Transmission	1.43	$67	1.68	$79	1.68	$79	1.67	$79
Distribution	8.66	$409	9.17	$433	9.20	$435	9.23	$436
ACS Metering	1.29	$61	1.18	$56	1.21	$57	1.24	$59
Wholesale	**11.26**	**$532**	**8.13**	**$384**	**7.32**	**$346**	**6.89**	**$325**
Residual	**2.38**	**$112**	**3.99**	**$188**	**4.06**	**$192**	**4.14**	**$196**
Market Offer	**27.29**	**$1,290**	**26.37**	**$1,246**	**25.62**	**$1,211**	**25.19**	**$1,191**

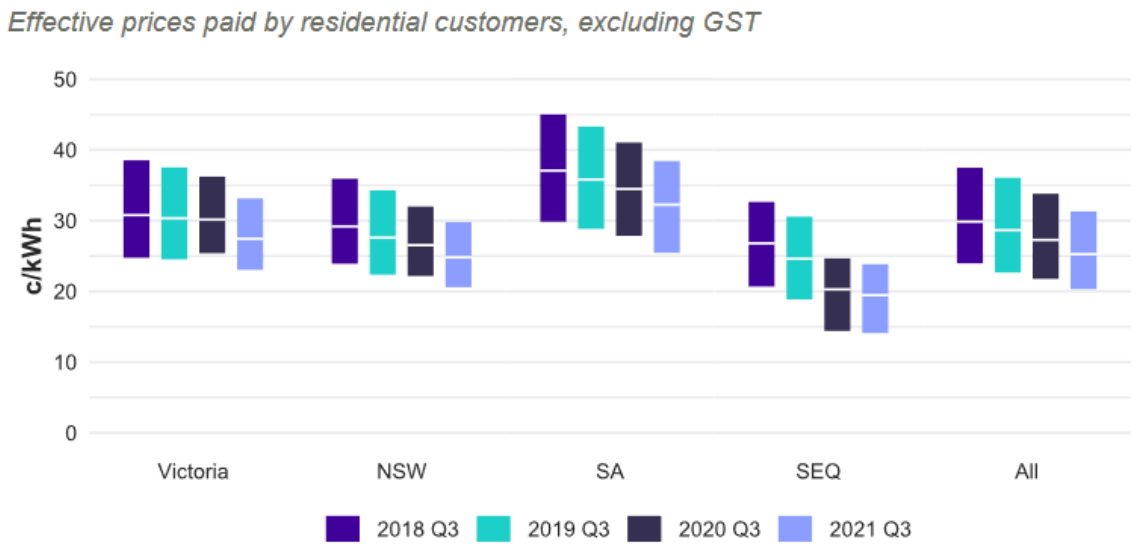
Source: AEMC analysis
Note: All figures are exclusive of GST

Figure 5: Trends in Vic supply chain components (pre-wholesale market increases seen in May / June 2022). Source: AEMC (2021 p.13).

In May 2022, the ACCC found that decreases in wholesale spot market prices from 2019 to 2021 flowed through to lower retail prices for customers (Figure 6), but did note the increases in wholesale prices from mid-2021 through to 2022 will also eventually flow through to households.[13] Figure 6 also clearly shows that South Australia continues to pay the highest unit price for electricity in the NEM (10 cents more per kWh than Victoria according to AEMC's price trends), an issue considered by the South Australian Productivity Commission (SAPC) in its Draft Report on the Inquiry into SA's renewable energy competitiveness. [14]

[13] ACCC, Inquiry into the National Electricity Market – May 2022, 23 May 2022, p.16

[14] South Australian Productivity Commission, Draft Report: Inquiry into South Australia's renewable energy competitiveness, 10 May 2022



Source: ACCC analysis of retailer billing data. Figure shows interquartile ranges and median values.

Figure 6: Households paid lower effective prices for electricity. Source: ACCC (May 2022, p.16)

The SAPC's Draft Report pointed to households in South Australia paying around 20 per cent more than consumers in New South Wales for wholesale prices charged to retail consumers, despite lower average wholesale spot prices (Figure 7, below), and made the following key findings:[15]

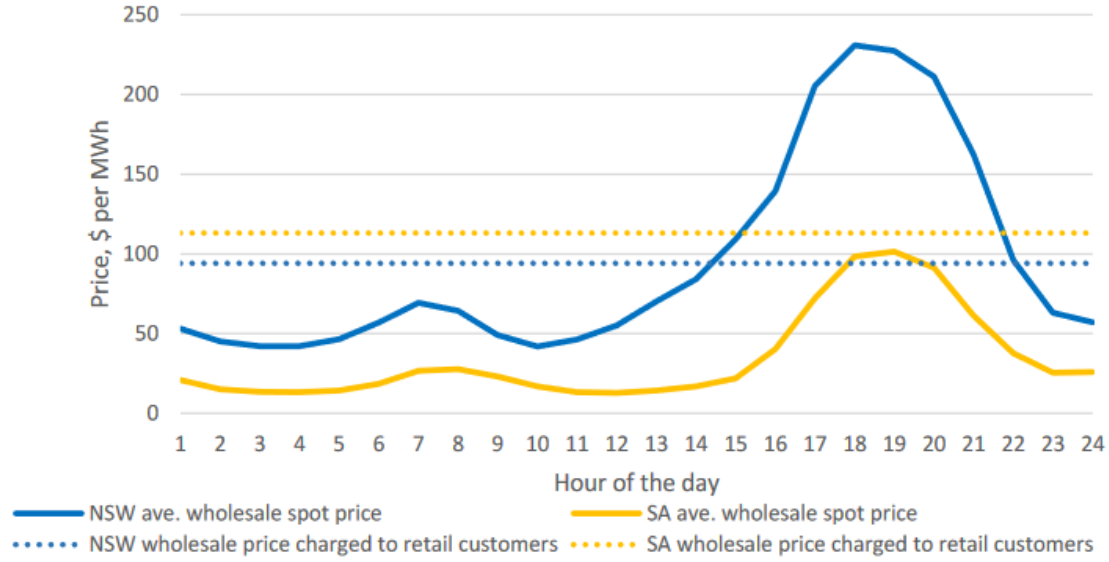
- ***Finding 1:*** *Although average spot electricity prices in South Australia are now amongst the lowest in the NEM, the average prices faced by retail consumers remain higher than those interstate and, therefore, renewables are not currently delivering a competitive advantage to South Australian consumers in terms of price.*
- ***Finding 6:*** *Initial analysis suggests that expansion of renewable generation is unlikely to materially decrease retail electricity costs unless flaws in the NEM are addressed*.

The SAPC found the feedback from stakeholders around the reasons for this failure was inconsistent, but potential explanations included:[16]

- *the scale and cost of purchases outside the spot market, particularly hedging contracts but also Power Purchase Agreements (PPAs);*
- *the cost of purchasing rooftop solar power which is typically paid for through a fixed rate rather than the spot prices at the time the electricity was fed into the grid; and*
- *the costs of hedging contracts in South Australia, particularly those targeted at the peaks in electricity demand (and possible market power on the part of the small number of generators able to provide power on demand in Australia).*

[15] South Australian Productivity Commission, Draft Report: Inquiry into South Australia's renewable energy competitiveness, 10 May 2022, pp. 6-9

[16] South Australian Productivity Commission, Draft Report: Inquiry into South Australia's renewable energy competitiveness, 10 May 2022, pp. 7



Source: AEMC Residential Electricity Price Trends Report 2021.

Figure 7: Average wholesale electricity prices by hour of the day – South Australia and New South Wales. Source: SAPC (2022, p. 7)

In summary, the current market conditions make it extremely difficult to provide a meaningful analysis of published data on energy pricing issues facing South Australian consumers. South Australians currently pay the highest price per unit for electricity in the NEM, despite previously having relatively lower wholesale costs than other jurisdictions including Victoria, and the recent dramatic increases in wholesale costs underpin predictions of future significant increases over the next four years (31–167% higher in South Australia). These concerning trends point to an urgent need for both state and federal governments to focus on providing meaningful supports to consumers, to boost energy efficiency and speed transition to clean energy in order to mitigate those price impacts (as outlined in the joint letter from all Councils of Social Service sent to Energy Ministers on 23 June 2022, **attached**).[17]

Default Market Offer (SA) and Victorian Default Offer

All energy retailers are required to offer customers a 'standing offer'. The standing offer acts as a safety net for customers who have never switched to a retailer's market offer (which can happen for a number of reasons).[18] In South Australia, in Quarter 3, 2021-22, there were:

[17] See also: Joint letter to Energy Ministers from ACOSS et al, 8 June 2022.

[18] Including: not having taken up a market offer since the introduction of retail competition, customers who are supplied under a retailer's 'obligation to supply', customers who have moved premises and receive supply from the existing retailer supplying the premises but are yet to contact

- 800,338 residential electricity customers in SA
- 738 140 (92%) of those residential customers were on market contracts
- 60,565 (7.6%) of residential customers were on a standard contract
- 1,633 (0.2%) customers who were deemed without a contract.

The Default Market Offer (DMO) is the maximum price a retailer can charge a standing offer customer each year. In New South Wales, south-east Queensland, and South Australia, the DMO is set by the Australian Energy Regulator (AER). In Victoria, the cap is set by the Victorian Essential Services Commission (ESC Vic) and is called the Victorian Default Offer (VDO). The DMO price also acts as 'reference price', against which customers can compare market offers.

As identified by the ACCC, the policy objectives of the DMO are that it should:[19]

- *reduce unjustifiably high standing offer prices and continue to protect consumers from unreasonable prices*
- *allow retailers to recover their efficient costs of providing services, including a reasonable retail margin and costs associated with customer acquisition and retention*
- *maintain incentives for competition, innovation and investment by retailers, and incentives for consumers to engage in the market.*

The Regulations[20] require the AER to determine DMO prices for:

- residential customers – on flat rate or time of use (TOU) tariffs
- residential customers with controlled load – these are separately metered tariffs used for appliances such as electric hot water storage systems, pool pumps or underfloor heating
- small business customers – on flat rate tariffs.
- each category includes customers with solar tariffs.

The AER is not required to determine an annual price and usage for customers on other tariff types, such as tariffs with a demand charge, small business controlled-load and TOU tariffs, as well as tariffs offered in embedded networks.

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the retailer, customers who have defaulted to a standing offer following the expiry of a market contract. See AER, Default Market offer Prices 2022-23 – Final Determination, 26 May 2022, p.12

[19] Australian Energy Regulator, Default market offer prices 2022-23 – Final determination, , 26 May 2022, p. 12

[20] *Competition and Consumer (Industry Code—Electricity Retail) Regulations* 2019

In contrast, since September 2020, the VDO has applied as a maximum price for most embedded network customers (covering around 140,000 customers).[21]

SACOSS considers customers in embedded networks in South Australia should also be protected from unjustifiably high prices through the application of the DMO.

In May 2022 (prior to the extreme wholesale market increases seen in May and June 2022), the Australian Energy Regulator and the Victorian Essential Services Commission finalised revised standing offer price caps that come into effect on 1 July 2022 for the 2022-23 financial year, determining:

- Price caps in Victoria for households will increase by 1.2–9.2%, and for small businesses by 1.6–10.4%, depending on the region (in nominal terms).[22]
- Price caps in New South Wales are increasing by 8.5–18.3% for residential customers, and 10.0–19.7% for small business customers (in nominal terms)
- Price caps for residential customers in south-east Queensland are increasing by 11.3–12.6%, and 12.8% for small business customers (in nominal terms)
- Price caps for residential customers in South Australia are increasing by 7.2–9.5%, and 5.7% for small business customers (in nominal terms).[23]

The AER and the ESC Vic increased the price of the DMO on the basis of rising wholesale costs, the AER identified the following contributing factors:[24]

- a reduction in thermal generation resulting from unplanned outages and higher coal and gas costs
- slowing of investment in new capacity, and increasingly 'peaky' demand driving up the cost of hedging for retailers
- the ongoing war in Ukraine, which has led to significant pressure on coal and gas prices globally
- extreme weather in NSW and Queensland, which has affected coal supplies and electricity demand, and
- further unplanned outages at multiple generators.

The ESC Vic ascribed the increases to changing market conditions, stating 'forecast wholesale electricity prices are driving an underlying increase. Rising wholesale prices for

[21] Essential Services Commission of Victoria, Victorian Default Offer 2022-23; Final Decision, 24 May 2022, p.2

[22] Essential Services Commission, Victorian Default Offer 2022–23 – Final decision, Essential Services Commission, 24 May 2022, p 6.

[23] Australian Energy Regulator, Default market offer prices 2022-23 – Final determination, , 26 May 2022, p 3.

[24] Australian Energy Regulator, Default market offer prices 2022-23 – Final determination, , 26 May 2022, p 2.

electricity account for almost two thirds of the increase in the default offer for households.'[25]

The average VDO for a residential customer in Victoria is $1,403 for 2022-23 ($61 more than 2021-22). The VDO for small business will be $5,620 for 20,000kWh per year, or $2,810 for 10,000 kWh per year (Figure 8, below). Figure 9, below, shows the impact of the VDO in reducing annual bills for residential customers since its introduction, with VDO annual bills for 2022-23 representing a $442 reduction since pre-VDO levels.

Table 1: Victorian Default Offer annual bills in 2022-23, $ nominal, inclusive of GST

Distribution zone	Domestic			Small business		
	1 Jan 2022 Victorian Default Offer	2022-23 Victorian Default Offer	Change in 2022-23,	1 Jan 2022 Victorian Default Offer	2022-23 Victorian Default Offer	Change in 2022-23
AusNet Services	$1,494	$1,632	$138	$6,934	$7,656	$722
CitiPower	$1,278	$1,293	$15	$4,713	$4,839	$126
Jemena	$1,315	$1,352	$37	$5,328	$5,413	$85
Powercor	$1,358	$1,412	$54	$4,969	$5,191	$222
United Energy	$1,266	$1,324	$58	$4,806	$5,003	$197
Victoria (average)	**$1,342**	**$1,403**	**$61**	**$5,350**	**$5,620**	**$270**

Note: Annual bills are calculated based on consumption of 4,000 kWh per year for domestic customers and 20,000 kWh per year for small business customers.

Figure 8: Victorian Default Offer Annual Bills. Source: ESC Vic (2022, p. 6)

[25] See: Essential Services Commission of Victoria website.

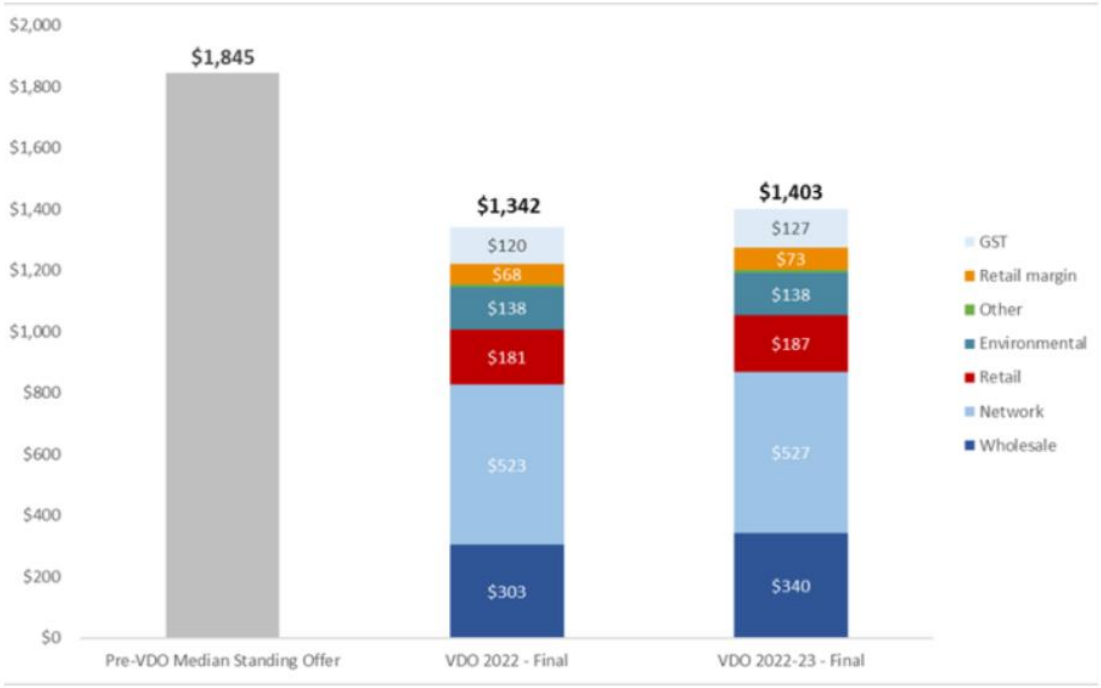

Figure 9: Change in Victorian Default Offer on Annual Bills for domestic customers. Source: ESC Vic (2022, p. 4)

Figure 10, below shows that South Australian residential standing offer customers without controlled load will be paying $1,840 in 2022-23 ($437 more for an annual bill than Victorian residential customers), and with controlled load will be paying $2,275 ($872 more than the average residential standing offer customer in Victoria). Small businesses without controlled load will be paying annual average bills of $4,539 for 2022-23 (or $1,729 more than Victorian small businesses).

Table 2.1 DMO 2022–23 final determination prices, including changes from DMO 3 in nominal and real terms*

Distribution zone		Residential without CL	Residential with CL	Small business without CL
SAPN (SA)	DMO price	$1,840	$2,275	$4,539
	for annual usage of	4,000 kWh	Flat rate 4,200 kWh + CL 1,800 kWh	10,000 kWh
	Change y-o-y	+$124 (7.2%)	+$198 (9.5%)	+$459 (5.7%)
	Change y-o-y (real)	+$30 (1.7%)	+$84 (3.8%)	+$17 (0.2%)

* Real comparisons with DMO 3 are based on RBA 2021–22 inflation forecast of 5.5% in its May 2022 Statement on Monetary Policy.
Note: DMO 3 and 4 prices for small business are not directly comparable due to the new usage benchmark. Percentage and dollar changes in this table are based on a comparison of the DMO 3 small business price and a nominal DMO 4 price calculated at 20,000 kWh per year.

Figure 10: 2022-23 Final Determination Prices. Source: AER (2022, p.7)

Additionally, and potentially further compounding consumer vulnerability, South Australia has a regulatory requirement,[26] that the retail tariff structure of the standing offer for smart meter customers must reflect the time of use (TOU) network tariffs approved by the AER in SA Power Networks' Tariff Structure Statement (TSS).

Retailers in SA are now required to have a standing offer for smart meter customers that includes:

- SAPN's TOU tariff structure OR
- SAPN's Demand tariff structure for residential prosumer OR
- A tariff structure determined by the retailer (which could be flat tariff), IF the retailer has a TOU market offer that is approved by the Minister.

SACOSS has not been advised of any 'generally available market offers' that have been approved by the Minister.

The AER's most recent retail market performance reporting for Quarter 3, 2021-22[27] shows a marked increase in the number of South Australian customers with smart meters who have been moved to a time-of-use *retail tariff* (with an underlying distributor-based time of use or flexible tariff), particularly in the six months from October 2021 to March 2022 where the number of smart meter customers on a TOU increased from 78,637 to 136,316 (an increase of 73% or 57,679 customers in six months). Additional data shows:

- the number of smart meter customers in SA on a flat or block retail tariff with no controlled load retail tariff fell from 100,749 (52.9% of customers) in Q3 2020-21 to 73,987 (28.5% of customers) in Q3 2021-22
- the number of smart meter customers on a flat or block retail tariff with a controlled load fell from 61,334 (32%) in Q3 2020-21 to 47,130 (18.2%) in Q3 2021-22
- the number of customers with type 4 or 4A meters (smart meters) on a time of use or flexible retail tariff with an underlying distributor-based time of use of flexible network tariff rose in 12 months from 27,383 (14.4%) of customers in Q3 2020-21 to 136,316 (52.5%) customers to Q3 2021-22
- 53% of AGL's smart meter customers are now on a time of use tariff (up from only 4% 12 months ago)
- 58.6% of Origin's smart meter customers are now on a time of use tariff (up from 17% 12 months ago).

[26] See: Section 22(1a) of the National Energy Retail Law 2011 (NERL) and Regulation 6A National Energy Retail Law (Local Provisions) Regulations

[27] Australian Energy Regulator, Retail energy market performance update for Quarter 3 2021–22, Schedule 2

SACOSS understands these customers do not have the option to opt out of these TOU retail tariffs, even if they are unable to shift their usage patterns to between 10am and 3pm in order to take advantage of the lower 'solar sponge' tariffs, and avoid the peak tariffs between 6am -10am and 3pm to 1am (14 hours per day). In fact, many (if not most) customers may not even be aware of the changes in pricing structures and the need to move usage. This could lead to much higher bills for those customers, many of whom may be disengaged and in vulnerable circumstances.[28]

To address the equity concerns surrounding TOU rates, researchers have recommended that: [29]

- *Policies are needed to ensure that demand-side response does not increase hardships for vulnerable groups.*
- *Different vulnerable groups will have different capacities to respond to rates using price signals, so demand-side measures should be carefully targeted rather than 'one size fits all'.*
- *Potential time-of-use rates should be tested using scientifically rigorous methods before widespread implementation, with separate evaluation of impacts on different groups.*
- *People who are elderly, have disabilities and/or are members of minority groups will likely require particular attention in future pilots and policies.*

SACOSS refers the Minister to Recommendation 14 of the Retail Electricity Pricing Inquiry Report[30] (REPI Report) which states (SACOSS' emphasis):

> ***Retailers should not be obligated to reflect the cost-reflective network tariff structure in their customers' retail tariffs, but should be free to innovate in the packaging of the network tariff as part of their retail offer****.*
>
> *Given the* ***potential for negative bill shock outcomes*** *from any transition to cost-reflective network tariffs should retailers pass these network tariffs through to customers,* ***governments should legislate to ensure transitional assistance is provided for residential and small business customers****. This assistance should focus on maximising the benefits,* ***and reducing the transitional risks, of the move to cost-reflective pricing structures.*** *This includes:*
>
> - ***a compulsory 'data sampling period'*** *for consumers following installation of a smart meter*
> - *a* ***requirement for retailers to provide a retail offer using a flat rate structure***

[28] See: SACOSS, Submission to the AER on its DMO Methodology Options Paper, 23 November 2021, p. 5

[29] White, L.V., Sintov, N.D. Policy Brief, 16 December 2019, Varied health and financial impacts of time of-use energy rates across sociodemographic groups raise equity concerns https://www.nature.com/articles/s41560-019-0515-y

[30] ACCC, Retail Electricity Pricing Inquiry Report – Final Report, June 2018, p. xix

- ***additional targeted assistance for vulnerable consumers***.

SACOSS considers that prior to an accelerated smart meter roll out, the Minister should work to ensure smart meter customers in South Australia have the choice to opt-in to a TOU retail tariff if it suits their circumstances, or at the very least have the ability to opt-out. This may involve the repeal or amendment of Regulation 6A of the *National Energy Retail Law (Local Provisions) Regulations 2013*.

To determine the impacts of mandatory TOU retail tariffs on energy affordability and consumer vulnerability, SACOSS strongly considers there is the need for the distributional impacts of TOU retail tariffs to be thoroughly monitored and reported on by the SA government, with additional targeted assistance provided to those affected in line with Recommendation 14. Retailers should be in a position to share the billing data of their smart meter customers in SA, to allow for a comparison of bills costs prior to being moved to a TOU retail tariff, and bill costs after (allowing for seasonal changes in energy use). This also aligns with the Recommendation 14 of the REPI Report that there be a compulsory 'data sampling period' following the installation of a smart meter.

Debt and hardship data (SA and Vic)

South Australian energy customers receive supports and protection from disconnection under the National Energy Customer Framework (NECF). As recently summarised by the AER:[31]

> *Energy is considered an essential service given its role in providing vital daily needs in modern life such as lighting, heating, cooling, refrigeration and the operation of appliances and electronics. The NECF was enacted to supplement the ACL and regulates the sale and supply of electricity and gas to ensure all consumers can access energy* ***on fair and reasonable terms****. The implementation of the NECF was also driven by the recognition that small residential and small business customers have little bargaining power and can be put at a significant disadvantage by energy retailers and distributors if their practices are not regulated to ensure certain minimum service standards.*[32]

Retailers are required to report quarterly on numerous indicators corresponding to their obligations under the NECF, the results of which are published by the AER in three spreadsheets:

- Schedule 2: customer numbers, switching, contracts, meter installations, tariffs

[31] AER, Retailer authorisation and exemption review: issues paper, April 2022, p.13

[32] See: Second Reading Speech to the National Energy Retail Law (South Australia) Bill, South Australia,
Parliamentary Debates, House of Assembly, 27 October 2010, pp 1748–1750.

- Schedule 3: complaints, debt (non-hardship), Centrepay, missed pay on time discounts, credit collections, payment plans, disconnections
- Schedule 4: hardship customer numbers, hardship debt, hardship concessions, hardship payments, hardship program information, hardship assistance offered, hardship disconnections and hardship reconnections.

The AER's most recent retail energy market performance data for Quarter 3, 2021-22 (January - March 2022) in South Australia,[33] points to increasing average energy debt levels for South Australian households, increasing disconnections for non-payment and extremely high average debt levels on entry into hardship programs (now $2337, an increase of $400 from $1997 in Quarter 2, 2021-22). This data underpins the need for retailers to focus on proactive identification of hardship customers early in the debt-cycle, in order to intervene and provide tailored supports, in line with their obligations under the NECF.[34] The average debt of existing hardship customers has remained stable, but is still the second highest in NEM jurisdictions after Tasmania. South Australia also has the lowest number of hardship customers accessing concessions across NEM jurisdictions (around 40% compared to 70% in Tas):[35]

- for Q3 2021-22 in South Australia, the number of customer repaying debt is now 25,441, down slightly from 26,709 last quarter
- the average debt for SA residential customers (excluding hardship customers) in Q3 is $1,320 up from $1,283 last quarter (this is the highest average residential debt in the nation, where the national average is $1,060 – and next the highest state average is Tasmania at $1,173)
- the number of South Australian customers on payment plans has increased slightly from 14,084 in Q2 to 14,326 in Q3 (still at 1.8% of customers though, and is down from pre-pandemic numbers of 2.2% in 2018-19). The national percentage of customers on payment plans for Q3 is 1.5%
- 1,325 customers were disconnected in SA in Q3, up from 817 in Q2
- the number of hardship customers in SA has increased a little, up from 14,232 in Q2, to 14,540 in Q3 (1.78% to 1.82%)
- the average debt on entry into a hardship program in SA is now $2337, up $400 from $1997 in Q2; the national average debt on entry into hardship programs is $1,741, and Tasmania has the highest debt on entry to hardship programs at $3,287

[33] See: AER, Quarterly Retail Performance Report Q3 2021-22 (January – March), June 2022, and AER Retail energy market performance update page

[34] Sections 44(a) and 44(b) of the National Energy Retail Law 2011 provides retailer's Hardship Policies must include processes to proactively identify hardship customers and provide early response. Section 43(3)(b)(iv) provides the retailer must maintain and implement its policy (this is a civil penalty provision).

[35] AER, Retail Energy Market Performance Update for Quarter 3, 2021-22, 30 June 2022

- the average debt of hardship customers in South Australia is still $2,364 for Q3 (the same as Q2), this is the second highest amount in NEM jurisdictions after Tasmania at $2,469. The average debt of hardship customers Nationally is $1,734
- the percentage of hardship customers receiving a concession in South Australia in Q3 is at 39.83% down from 40.28%, (lowest percentage in the Nation) – this differs markedly from Tasmania where 70% of hardship customers receive a concession. Nationally, 57.78% of hardship customers receive a concession.

Victorian energy customers do not fall under the NECF, and instead receive energy consumer protections under the Victorian Payment Difficulty Framework (PDF), contained within the Energy Retail Code.[36] Victoria's PDF is an entitlement framework that came into effect on 1 January 2019. The framework entitles Victorian energy customers anticipating or experiencing payment difficulty to minimum levels of assistance. This differs from the NECF in that retailers must identify customers experiencing hardship prior to providing assistance.[37]

The PDF was developed to meet the following objectives:[38]

- To help residential customers avoid getting into arrears with their retailer.
- To make it easier for residential customers to pay for their ongoing energy use, repay their arrears when they have missed a bill, and lower their energy costs.
- To ensure residential customers are only disconnected for non-payment of a bill as a measure of last resort.

Following delays due to COVID-19, on 31 May 2022 the ESC Vic delivered its Findings Report on the implementation of the PDF.[39] The Review found the PDF was broadly meeting its objectives:[40]

- the framework has provided a clear basis for customers to receive help when paying their energy bills, especially when they are experiencing payment difficulty
- since its implementation in 2019, more customers have been receiving tailored assistance compared to customers in past retailer hardship programs

[36] Essential Services Commission Victoria, Energy Retail Code of Practice, 2022

[37] This turns on the definition of 'hardship customer' under the NECF – section 2(1) of the NERL provides: '*a hardship customer means a residential customer of a retailer who is identified as a customer experiencing financial payment difficulties due to hardship in accordance with the retailer's customer hardship policy*'

[38] Essential Services Commission Victoria, Payment Difficulty Framework review 2022, Findings Report, 31 May 2022, p.6

[39] Essential Services Commission Victoria, Payment Difficulty Framework review 2022, Findings Report, 31 May 2022

[40] Essential Services Commission Victoria, Payment Difficulty Framework review 2022, Findings Report, 31 May 2022, p. 13-14

- interactions between customers and energy retailers had improved.

Specifically, the Review found:

- in 2020-21, 30% of customers successfully completed their tailored assistance with the support of their retailer, resulting in no arrears
- the number of electricity customers being disconnected for non-payment fell by 34% since reaching a peak of 34,496 in 2013-14, dropping to 22,795 in April 2019 and March 2020 (pre COVID-19 moratorium)
- the number of hardship customers increased from 42,354 in 2017-18 (pre-PDF), to 64,831 tailored assistance customers in 2020-21
- the average arrears of customers who can now pay for their ongoing usage has not grown over the past two years (despite difficult economic circumstances) (Figure 11, below)
- Average customer arrears on entry when starting tailored assistance increased by 16% from $1,161 in 2018-19 to $1,343 in 2020-21 (Figure 11, below)
- the proportion of applications for Utility Relief Grants[41] after requesting forms from DFFH increased from 43% in 2018-19 to 77% in 2021-22 (July -Dec 2021).

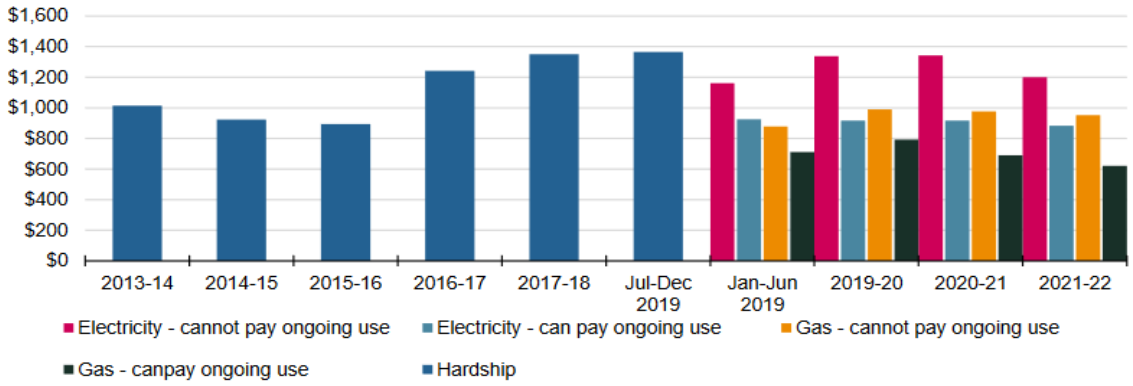

Figure 11: Average Arrears of customer commencing a hardship program or assistance under the framework. Source: ESC Vic (2022, p. 133)

In contrast, in South Australia:

- Average debt levels (outside of hardship programs) increased from $761 in 2016-17, to $1320 in Q3 2021-22, an increase of 73%.

[41] See Victorian Utility Relief Grant Scheme

- Average debt of hardship program customers increased from $1339 in 2016-17 to $2438 in 2020-21,[42] an increase of 82%.
- Average debt on entry to a hardship program increased from $1407 in 2016-17 to $2337 in Q3 2021-22, an increase of 66%.

Despite the impacts of COVID-19 and increasing debt levels over the past five years, the number of customers experiencing payment difficulty and receiving support from their retailer *has fallen* in South Australia:

- The number of customers on payment plans in South Australia decreased markedly from 19,459 in 2016-17 to 13,149 in 2020-21 (a decrease of 32%).
- The number of hardship customers fell from 15,521 in 2017-18 to 13,425 in 2020-21 (a decrease of 13%).

As outlined above, households in Victoria are now better supported to apply for URG payments since the introduction of the PDF.[43] The South Australian Emergency Electricity Payment Scheme (EEPS) is the state's equivalent of the Victorian Utility Relief Grant Scheme (URGS). In South Australia, eligible customers can access a $400 EEPS payment made to their energy retailer every three years. The State Government spent $216 000 on EEPS grants in 2021, compared to $319 000 in 2020.[44] At $400 per payment, this means only 540 households were able to access Emergency Electricity payments in 2021 (down from 797 in 2020). Given burgeoning debt levels, this points to a clear failure of EEPS to achieve its objectives and an urgent Review of the Scheme is required.[45]

South Australian AER data points to an increase in disconnections for non-payment of 38% in three months; from 817 in Q2 2021-22, to 1,325 in Q3 2021-22. This follows the ending of the AER's moratorium on disconnections during COVID-19. Despite the removal of the moratorium, protection from disconnection for customers experiencing payment difficulty is more important now than ever, due to increasing energy costs and broader cost of living pressures being greater now than in 2020-21.

Acceleration of the roll out of smart-meters in South Australia also adds new complexities to the dangers surrounding disconnection for non-payment. Smart meters enable disconnections to be processed remotely (with no house visit required) making the process of disconnection both faster and cheaper. SACOSS acknowledges the benefits of remote

[42] Noting the average debt of hardship customers for Quarter 3, 2021-22 was $2364.

[43] Essential Services Commission of Victoria 2022, Payment Difficulty framework implementation review 2022: Finding Report, 31 May 2022, p.14

[44] Government of South Australia, Department of Human Services, Annual Report 2020-21, Administered Financial Statements, Emergency Electricity Payments, p.13

[45] SACOSS, Submission to the Department for Human Services on the Review of the Emergency Electricity Payment Scheme, May 2021

disconnection and reconnection in certain circumstances, but we are firmly of the view that remote disconnection for non-payment is not in the best interests of vulnerable customers. It is vital South Australian retailers comply with their current obligations prior to proceeding to remotely disconnect customers for non-payment, and consideration should be given to the imposition of additional safeguards to protect customers from disconnection, in line with Victoria's PDF.

In Victoria, where there has been a state-wide roll out of smart meters, there appears to have been a strong link between smart meters and increases in disconnection completion rates, as well as increases in households experiencing multiple disconnections.[46] SACOSS understands the stronger disconnection safeguards implemented in Victoria as part of its PDF (where the onus of proof is on retailers to show they have complied with the payment difficulty processes), were in response to increases in disconnections.

As SACOSS has outlined in previous briefings to the Minister,[47] a trial of SA Power Networks' pre-visit service resulted in more than 50% of disconnection for non-payment service orders being cancelled.[48] SA Power Networks' program has been picked up by Essential Energy in NSW, with even greater success (an 80% disconnection cancellation order in their pilot 'knock before you disconnect' program[49]). It is important to point out that remote disconnection and reconnection will remove SA Power Networks from any involvement in the disconnection process.

SACOSS considers SA Power Networks' site visits should become part of the disconnection process, for all meter types, including smart meters. It would be preferable for the NECF to improve disconnection processes to include 'knock before you disconnect' (and this has been flagged in the Australian Energy Regulator's Draft Consumer Vulnerability Strategy[50]), but the state government could provide for this requirement under the *National Energy*

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[46] St Vincent de Paul Society & Alviss Consulting, *Households in the Dark II: Mapping electricity disconnections in South Australia, Victoria, New South Wales and South East Queensland*, by Sophie Labaste, August 2019. https://alvissconsulting.com/wp-content/uploads/2019/10/Households-in-the-Dark-II-Report.pdf

[47] SACOSS, Annual SACOSS Briefing to the Minister for Energy: Energy Pricing Issues Affecting South Australian Consumers, June 2021, p.10

[48] 875 sites were "pre-visited" and 492 disconnection for non-payment service orders were cancelled prior to schedule date (56.23% successful pre-visit).

[49] Essential Energy's personal contact approach to reducing disconnections was commended by the Energy Charter's Independent Accountability Panel in its Assessment of achievement of better outcomes for Australian energy consumers in 2019-20, December 2020

[50] Australian Energy Regulator, Consumer Vulnerability Strategy, Draft for Consultation, December 2021, pp 39-40 and see consultation question13.

Retail Law (Local Provisions) Regulations 2013, which allow for jurisdictional derogations from the National Energy Retail Rules as they are applied in SA.

Notably, the Energy Charter are developing a *Customer Code to Knock before you Disconnect* that builds on existing national pilots for customers facing disconnection across Qld, NSW, Victoria and South Australia by:[51]

- *Highlighting clear commitments to customers by providing them with support to avoid disconnection of their energy*
- *Agreeing better practice guidelines on how to implement Knock before you Disconnect across energy networks and retailers*
- *Consistency of business processes*
- *Measuring customer and industry impacts and outcomes*
- *Implementing independent governance mechanisms to foster an ongoing community of organisations and customer representatives to share better practice.*

Assessing Impacts of Changes to Energy Concessions

Background

SACOSS, in partnership with ACOSS and Alviss Consulting, have undertaken a national research project[52] to progress findings from the Australian Competition and Consumer Commission (ACCC)'s Retail Electricity Pricing Inquiry, which concluded that the state and territory electricity concession schemes are not fit for purpose and that urgent changes are required.[53] The majority of state and territory electricity concession schemes comprise of a fixed dollar amount, where all eligible households receive the same value of concession, irrespective of different circumstances and need. One exception is Victoria's Annual Electricity Concession that provides a 17.5 per cent discount off the household usage and supply costs (i.e. a "percentage-based" concession).

The ACCC argued that while on face value, the percentage-based concession may appear more equitable, it would result in disproportionate support between low and high consumption households. Instead, the ACCC recommended a "hybrid" approach, consisting of a fixed dollar amount to offset daily supply charges, and a percentage-based discount to offset usage charges. The ACCC did not make any recommendations on how the hybrid model should be structured, nor did they conduct modelling to assess the implications of a hybrid model compared to percentage-based models and current arrangements.

[51] See: The Energy Charter, knock before you disconnect

[52] Alvis Consulting and SACOSS (2022) Assessing impacts of changes to Australian Electricity Concessions, yet to be published

[53] ACCC (2018) Restoring Electricity Affordability and Australia's Competitive Advantage, Retail Electricity Pricing Enquiry, Final Report, p. 299-303

The research therefore, sought to examine what a shift from a "fixed (flat) rate" concession amount to a hybrid model, or a percentage-based discount, would mean for Australian concession recipients.

Concessions reform can help manage the risks of the energy market transition for those most in need. Particularly in the context of the current energy crisis, robust and responsive support mechanisms are crucial to protect low-income and vulnerable customers against incoming price shocks.

Current energy concession arrangements are inequitable

Analysis of average annual consumption data provided by AGL found that the effective value of the energy concession differs significantly between different categories of concession recipients. As seen in Figure 12, the main electricity concession in South Australia (currently set at $233.60 for 2021/22) accounts for 62 per cent of the annual bill for concession card holders with solar, which is **over 4 times the relative value of concession for non-solar concession card holders**. This is largely because concession card holders with solar have significantly lower bills compared to other concession recipients (due to a combination of self-consumption, lower levels of electricity drawn from the grid, and feed-in tariffs earned for exporting electricity to the grid).

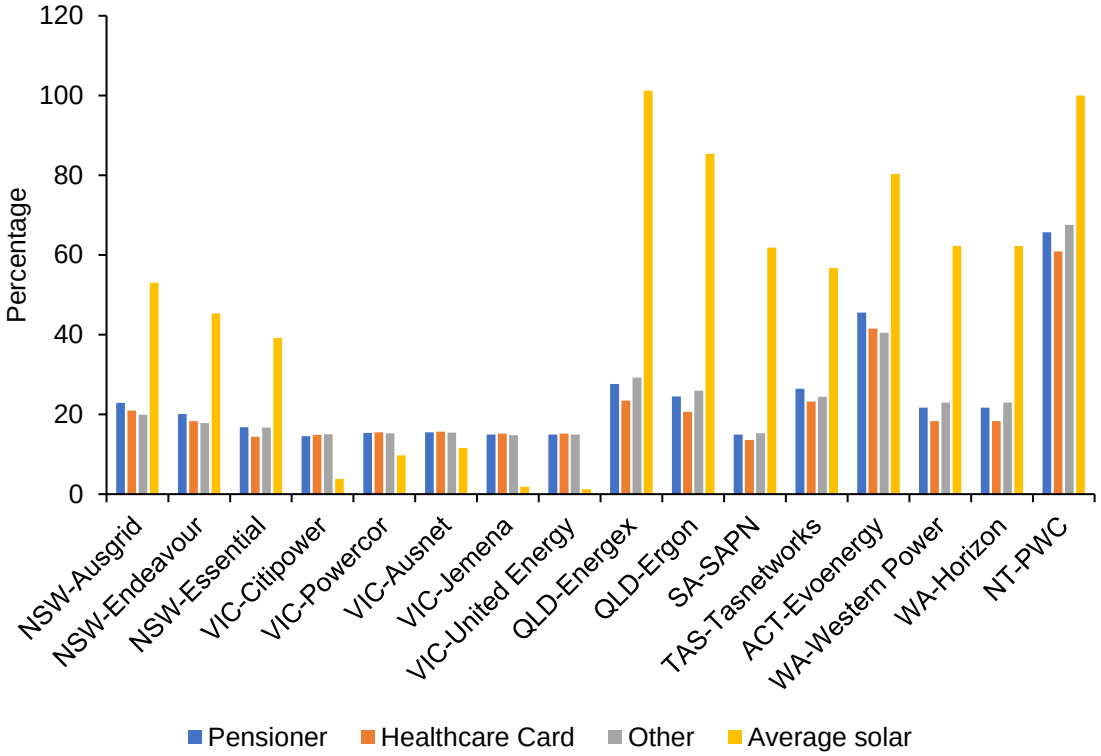

Figure 12. The relative value of the current concession (excl GST) for pensioners, Healthcare Card holders, other card holders and concession recipients with solar[54]

[54] Based on average market offer as of October 2020, single rate, inclusive of guaranteed and pay on time discounts

Current concessions vs. alternative concession models

In Stage 1 of the project, various concession scenarios were modelled to identify potential concession models that are more equitable and responsive to change in both energy price and energy consumption compared to current arrangements.[55]

In South Australia, our analysis found that:

- In terms of the percentage-based model, concession recipients without solar **on average**[56] would require a percentage concession of at least 16% to be better off compared to current arrangements.
- In terms of the hybrid model, all concession recipients **on average** would receive lower bills if they received a hybrid concession consisting of $140 off supply charges and 22% off usage charges.

The analysis in Stage 1 of this project did not consider the impact of the alternative concession models on state and territory government budgets, focusing instead on impacts at the household level. Clearly, setting the percentage and hybrid concession at generous levels is likely to result in a scenario where most households are nominally "better off" compared to the current concession arrangements. However, such scenarios risk substantial increases to the overall cost for state and territory governments to deliver concessions.

Stage 2 of the project built on the modelling conducted in Stage 1 and identified policy options for shifting to a new concessions model, including policies to address the ACCC's concern of disproportionate support between low and high consumption households. The impact of the policy options on jurisdictional budgets was also assessed.

Transition strategies to move to a percentage-based concession

To assist in mediating any adverse impacts of shifting to a percentage-based concession, three policy options were modelled to help transition from current concession arrangements to a percentage-based concession:

- providing the option to grandfather current concession arrangements for existing concession recipients;
- introducing a complimentary concession to ensure that customers do not pay more in supply charge than they do for electricity usage, similar to Victoria's 'Service to Property Concession'; and
- applying a cap to the percentage-based concession

The policy options have been developed so they can be implemented either in conjunction, or separately.

[55] The percentage-based concessions applied range from 5% to 35% off total bill (excluding GST) while the hybrid concessions range from $310 off supply charges and 5% off usage charges to $10 off supply charges and 35% off usage charges.

[56] It is worth noting that the analysis is based on average consumption for each of the concession types and that individual customers will have lower or higher consumption than the average.

Grandfathering/legacy arrangements for current concessions

In South Australia, the cost to deliver the main energy concession in 2019-20 was approximately $42 million.[57] As per Figure 13, the **14% and 16% concession would result in budget savings of approximately $8.5 million and $3.8 million respectively, compared to current scheme costs**. The savings are largely due to redistribution of funding between solar / low consumption and high consumption households.

Existing concession card holders who are less likely to benefit from new concession arrangements could be offered the opportunity to maintain current concession arrangements under a grandfathering mechanism. The costs of grandfathering would be more significant if the grandfathering option is open to all concession recipients, rather than limiting to non-solar concession card holders. Our analysis found that:

- **If grandfathering was open to non-solar concession card holders only,** $2.9 million in jurisdictional savings could be achieved if the percentage-based concession were set at 14% of the bill. At a 16% concession, there would be a modest additional cost of $136,560 compared to current scheme costs.
- **If grandfathering was open to all concession card holders,** there would be additional budget costs of $5.2 million at a 14% concession; $7.9 million at a 16% concession; and $11.3 million at a 18% concession

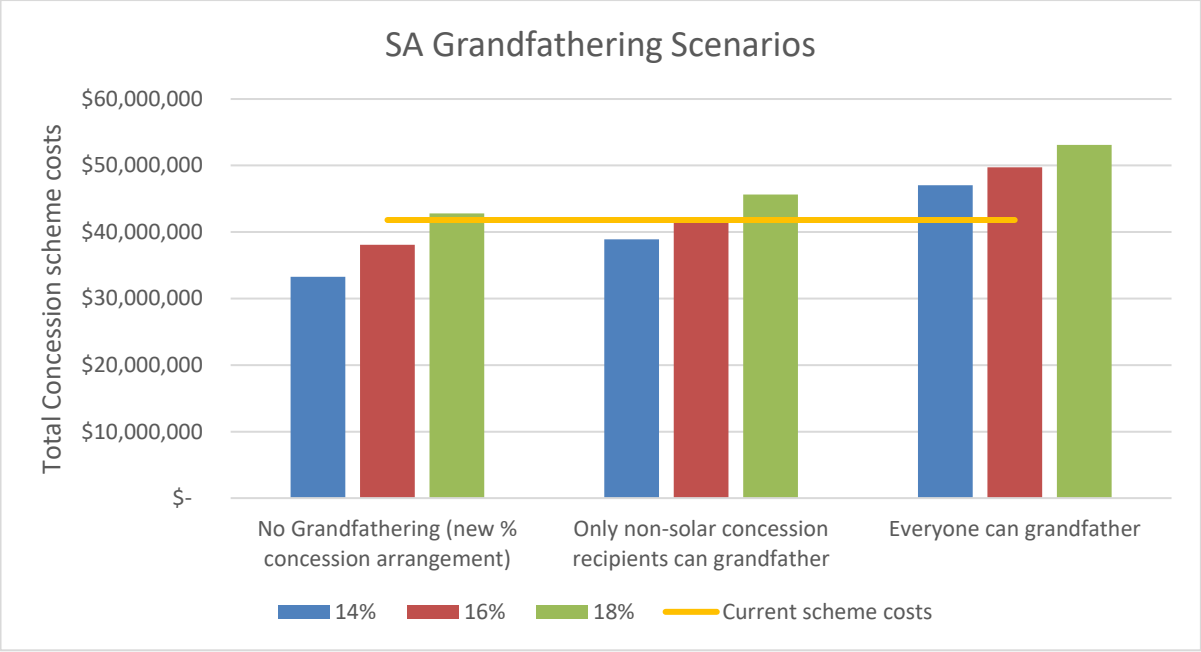

Figure 13. South Australia: Total energy concession scheme costs under different grandfathering scenarios

Allowing concession recipients to opt-in to grandfather the current arrangements will clearly have implications for the concession budgets. The low consumption households are those

[57] https://dhs.sa.gov.au/__data/assets/pdf_file/0010/107569/Department-of-Human-Services-Annual-Report-2020-21.pdf, p. 13

less likely to benefit from moving to a percentage-based concession, and are therefore likely to opt-in to grandfather, while higher consumption households, will benefit from a percentage-based concession, and will likely choose to move to the new arrangement. Where the 'cut-off' point sits for choosing to grandfather or shifting to the percentage-based concession, depends on the level at which the concession is set. At lower levels of the percentage-based concession, fewer concession households would be inclined to shift to a percentage-based concession, compared to a higher percentage level, where a greater proportion of concession recipients would be better off.

It is also worth noting that any additional costs associated with grandfathering will be transitional. As people cease being concession recipients, due to changed financial or personal circumstances, and others become concession recipients for the first time, there are likely to be fewer people on the old (current) arrangement over time.

Supporting customers with very low consumption levels

To assist concession card holders with **very low consumption** in the transition to a percentage-based concession, a complimentary service to property concession could be introduced to ensure that customers do not pay more in supply charge than they do for electricity usage. This would reduce the annual bill by $35 **for approximately 7,550 South Australian** households at a 14% concession, at an additional budget cost of $310,000.

Applying a cap to the percentage-based concession

A common argument against a percentage-based concession is that it does not provide consumers with a strong incentive to reduce consumption or introduce more energy efficient measures, as well as creating uncertainty for government budgets. Placing a maximum cap on the annual concession amount can, however, address these concerns.

To allay concerns over **excessive concession amounts** being distributed to those on **very high levels of consumption**, a maximum cap on the value of the annual percentage-based concession was modelled at twice that of the current fixed amount.

In South Australia, a cap set at $467 would impact approximately 5,000 customers using more than 10,000 kWh per annum if the percentage concession were 14%. A 16% concession would cap customers with an annual consumption of more than 8,000 kWh while a 18% concession would cap approximately 16,000 customers using more than 7,000 kWh per annum. The latter would reduce the annual concession budget by approximately $1.3 million.

SA Concessions Budget Impact Analysis

Figure 14 below shows the net impact of moving to a percentage-based concession and the various policy options on South Australia's energy concession budget.

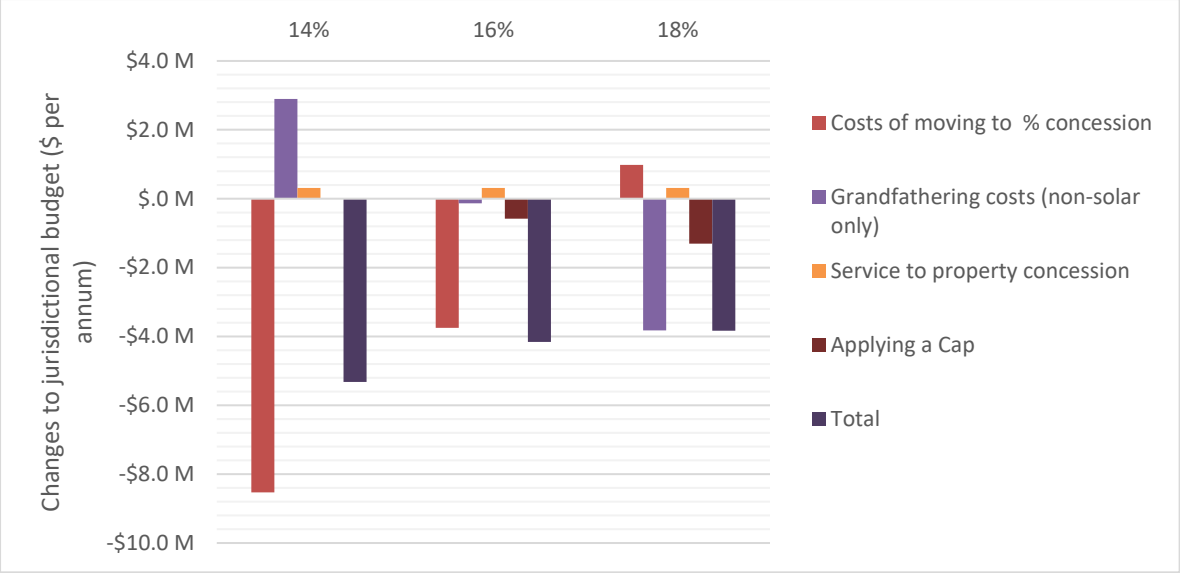

Figure 14. Net impact of moving to a percentage-based energy concession and complimentary policies on the South Australian budget

Our analysis shows that there are a range of new concession models which are more responsive and equitable than current 'flat' rate arrangements. Percentage-based concessions could contribute to jurisdictional energy concession budget savings, even with the inclusion of policy options such as placing a maximum cap on concessions and grandfathering to mitigate any unintended consequences.

Crucially, any budget savings achieved from redistributing expenditure could be re-invested into increasing the percentage of the overall concession or toward other complimentary policies. Further, state expenditures could be *reduced* under a percentage-based concession if household energy consumption trends downwards. Unlike the fixed rate concession, implementing a percentage-based concession (and to a lesser extent, the hybrid concession) may motivate governments to pursue policy measures to lower household consumption, such as improved thermal efficiency and encouraging the uptake of residential solar PV.

Future energy markets will require robust and responsive support mechanisms to protect against price shocks (particularly with the current energy crisis). This project adds to evidence that current flat rate concession schemes are inequitable and limited in capacity to respond to changes due to price, usage, and technology changes. In the context of the ongoing energy market transformation, concessions reform may have a role in managing the impact of price shocks, particularly for those already experiencing financial disadvantage.

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23 June 2022

Dear Energy Ministers

The Councils of Social Service, are the peak bodies for the community services sector and represent more than 3 million people experiencing poverty and inequality. We are writing urgently today with proposals to consider as part of addressing the financial pressures facing households because of rising energy prices and other costs of living pressures.

It has become increasingly difficult for people to afford the basics, with the recent surge in household electricity costs in most States and Territories compounding the pain felt by the rising cost of food, housing, health, transport, education, recreational activities and insurances over the past year.

People are being forced into making invidious choices between putting a meal on the table or paying a bill or going without hot showers and turning off the heater in the depths of winter to bring costs down. The significant increase to electricity prices is only going to make an already bad situation worse. Especially for those still struggling with enormous energy debt coming out of COVID.

We acknowledge some States and Territories have already announced packages to help low-income households.

However, we believe more is needed both in the short-term and short-to-medium term to deal with the immediate crisis and help people on low incomes to become more resilient to future crises.

Targeted help to the households who are in the most severe financial distress should be a first priority. We call on Energy Ministers to support the following:

Protections and Retailer Measures

- Update the Federal Government guidelines to the Australian Energy Regulator to set the Default Market Offer at an efficient price by lowering retail margins, as has been done in Victoria, and require the AER to undertake a review within the next 6 months, in line with the new guidelines.
- Require retailers to only disconnect people as a last resort, and ensure in person contact is made before they disconnect.

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- Suspend debt collection procedures including via external debt collectors and ensure in-person contact is made to establish safe, reasonable payment arrangements, with debt write-offs to occur without delay if repayment is unsafe and unaffordable.
- Require retailers to ensure all customers who are struggling to pay their electricity or gas bills are moved to the best retail offer for their current circumstances.
- Require retailers to urgently implement systems to ensure every customer who is entitled to a concession or rebate is receiving it.

Income and Cash Measures

- Urge States and Territories who have yet to provide an increase or supplement to energy concessions and emergency payments, to do so.
- The Federal Government should provide emergency energy debt relief to people on low-incomes of up to $2,000 per household to reduce the incidence of energy debt, which sky-rocketed during Covid-19. This could be done in partnership with retailers.
- Increase income support payments to at least $70 a day to provide immediate cost of living relief. Households on low, fixed incomes are unable to cover the cost of electricity, petrol, and housing, as well as other essentials. An increase to JobSeeker and related payments is critical to ensuring they can cover basic costs.
- Increase Commonwealth Rent Assistance to assist lowest-income private renters who are in severe financial distress.
- Work with State and Territory colleagues to fix energy concessions so they are more adequate, responsive to price changes and targeted, so the greatest help goes to those who need it the most (ACCC recommendation). This is particularly important to provide additional support for those households who are least able to reduce their exposure to market prices through self-generation.

Demand measures

- Partner with State and Territory governments to implement an energy efficient appliance upgrade scheme prioritised to people on low incomes, that could include:
    - replace old, highly inefficient appliances – such as fridges – with new, efficient models;
    - replace energy guzzling heaters – such as resistive electric heaters and gas heaters – with efficient reverse cycle air conditioners for heating and cooling;
    - replace inefficient hot water systems to heat pumps and low flow shower heads; and
    - install window coverings, and where safe, draught proofing.

Programs could be quickly established building on similar schemes in the ACT (ActSmart Replacing old appliances scheme), the Victorian heating upgrades https://www.heatingupgrades.vic.gov.au/about-us and NSW (appliance replacement offer). This would provide ongoing energy bill reduction, create jobs, improve health and wellbeing, and reduce emissions (see page 8 of NLEPP proposal).

- Supercharge effort on a national home energy rating scheme to enable:
  - Rollout of mandatory minimum energy efficiency rental standards.
  - Disclosure of energy performance at point of sale and lease, and programs that enable ambitious home energy performance upgrades.

- A nation building program to install energy efficiency and solar in roughly 1.8 million homes of people on low incomes (social housing, low-income homes and low-income rentals) to provide ongoing bill reduction, reduce poverty, improve health, cut emissions, and create jobs. The scheme could be phased in – for example, social housing retrofits would be prioritised, and funded jointly with jurisdictions (see NLEPP proposal).

Progress should continue to be made to transition to a zero-emissions energy system, in a fair and inclusive way. This will assist with future proofing all Australians from future hikes in coal and gas prices and will deal with our ageing and unreliable coal generation.

No single policy in isolation will address the energy price issues the country faces. It's important that measures implemented by governments target people most in need – people on the lowest incomes. We would welcome the opportunity to work collectively with you.

Yours sincerely,

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