



**Annual SACOSS Briefing to the Minister for Energy:  
Energy Pricing Issues Affecting South Australian Consumers**

**August 2023**

*Annual SACOSS Briefing to the Minister for Energy: Energy pricing issues affecting South Australian Consumers. August 2023.*

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## 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:

- a comparison of the inputs into the South Australian Default Market Offer 2023/23 and the Victorian Default Offer 2023/24
- a comparison between Victorian and South Australian market offers
- a comparison between South Australia and Victoria’s debt and hardship data, as well as available financial supports
- risks of the accelerated smart meter deployment to commence in 2025
- improving priority customer access to REPS
- improving affordability through energy efficiency
- current limitations of available data and analysis.

## 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 not, or cannot engage in the retail electricity market.<sup>1</sup> In South Australia, in Quarter 3, 2022-23, there were:

- 805,751 residential electricity customers in SA
- 743,211 (92%) of those residential customers were on market contracts
- 60,977 (7.6%) of residential customers were on a standard contract
- 1,563 (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.

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<sup>1</sup> AER, [Default Market offer prices 2023-24 – Final Determination](#), May 2023, p. 2

As identified by the ACCC, the policy objectives of the DMO are that it should:<sup>2</sup>

- *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 *Competition and Consumer (Industry Code – Electricity Retail) Regulations*<sup>3</sup> 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.

The AER's Final Determination for DMO 2023-24 points to the Australian Government's intention to review the Regulations to take account of embedded network customers, which the AER anticipates will be relevant for DMO 2024-25 (DMO 6).<sup>4</sup> In contrast, since September 2020, the VDO has applied as a maximum price for most embedded network customers (covering around 140,000 customers).<sup>5</sup> SACOSS strongly supports customers in embedded networks in South Australia being protected from unjustifiably high prices through the application of the DMO.

In May 2023, the AER and the ESC Vic<sup>6</sup> finalised revised standing offer price caps to come into effect on 1 July 2023 for the 2023-24 financial year, determining:

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<sup>2</sup> AER, [Default Market offer prices 2023-24 – Final Determination](#), May 2023, p. 2

<sup>3</sup> [Competition and Consumer \(Industry Code—Electricity Retail\) Regulations 2019](#)

<sup>4</sup> AER, [Default market offer prices 2023-24 – Final Determination](#), May 2023, p. 10

<sup>5</sup> Essential Services Commission of Victoria, [Victorian Default Offer 2022-23; Final Decision](#), 24 May 2022, p.2

<sup>6</sup> Essential Services Commission of Victoria, [Victorian Default Offer 2023-24 Final Decision](#), 25 May 2023

- South Australian residential customers without controlled load with an annual usage of 4,011 kWh will pay \$2,279 - a \$439 (or 23.9%) increase on 2022-23 DMO prices.
- South Australian small business customers without controlled load with an annual usage of 10,027 kWh will pay \$5,849 - a \$1,310 (or 28.9%) increase on 2022-23 DMO prices.
- Victorian domestic customers on a flat tariff Victorian Default Offer (assuming annual usage of 4,000kWh) will pay an annual average bill of \$1,755 - an increase of \$352 or 25% compared to 2022–23.
- Victorian small business customers on the flat tariff Victorian Default Offer (assuming annual usage of 10,000kWh) will pay an average annual bill of \$3,791 - an increase of \$752 or 25% compared to 2022–23.

South Australian residential standing offer customers without controlled load therefore pay \$524 (or 30%) more than the equivalent Victorian DMO customer.

The VDO and the DMO are both calculated to include values for components of a retailer's cost stack, with an additional retail allowance or margin percentage (See Figures 1 and 2, below).

Labels	2022-2023	Component of total retail bill	2023-2024	Component of total retail bill	Difference	% change from 2022-2023
Wholesale	\$340	24%	\$636	36%	\$295	87%
Network	\$527	38%	\$549	31%	\$22	4%
Retail	\$187	13%	\$176	10%	-\$11	-6%
Environmental	\$138	10%	\$132	8%	-\$6	-5%
Retail margin	\$73	5%	\$85	5%	\$12	17%
Other	\$10	1%	\$18	1%	\$8	82%
GST	\$127	9%	\$160	9%	\$33	26%
<b>Total</b>	<b>\$1,403</b>		<b>\$1,755</b>		<b>\$353</b>	<b>25%</b>

**Figure 1: Victorian Default Offer – Domestic customer with annual usage of 4,000 kWh. Source, SAPN analysis<sup>7</sup>**

Labels	2022-2023	Component of total retail bill	2023-2024	Component of total retail bill	Difference	% change from 2022-2023
Wholesale	\$538	29%	\$907	40%	\$369	69%
Network	\$752	41%	\$766	34%	\$15	2%
Retail	\$201	11%	\$197	9%	-\$4	-2%
Environmental	\$82	4%	\$78	3%	-\$4	-5%
DMO Allowance	\$100	5%	\$124	5%	\$24	24%
GST	\$167	9%	\$207	9%	\$40	24%
<b>Total</b>	<b>\$1,840</b>		<b>\$2,279</b>		<b>\$439</b>	<b>24%</b>

**Figure 2: SA Default Market Offer SAPN - Residential customer without controlled load, with annual usage of 4,011 kWh. Source: SAPN analysis<sup>8</sup>**

<sup>7</sup> Essential Services Commission of Victoria, [Victorian Default Offer 2023-24 Final Decision](#), 25 May 2023

<sup>8</sup> AER, [Default market offer prices 2023-24 – Final Determination](#), May 202

Retail allowances for the AER's Default Market Offer are in the process of transitioning to 10% for residential and 15% for small business customers. SACOSS has consistently argued that a 10% - 15% allowance at the end point of the glidepath is unjustifiably high, and we have urged the AER to consider an allowance closer to the 5.3% margin used in the VDO.<sup>9</sup>

The AER's DMO 2023-24 decision was to pause the planned increases in the retail allowance percentage for SAPN residential customers with and without controlled load to 'reflect a balance in consideration between consumer burden and increased risks faced by consumers in a volatile market'.<sup>10</sup> On this basis, South Australian residential customers faced a retail allowance of 6%, but South Australian small business customers still faced a 15% retail allowance for DMO 2023-24, with both percentages higher than the VDO retail margin, set at 5.3%.<sup>11</sup>

While the SA DMO and the VDO have increased by similar percentages (24% and 25% respectively), the costs components vary and the overall price for the SA residential DMO is 30% more than the VDO (See Figures 1 and 2, above). Notably, South Australians pay nearly 40% more for network costs than Victorians (\$766 as compared to \$549).

The AER and the ESC Vic have indicated the price increases for both the 2023-24 DMO<sup>12</sup> and the VDO are mainly due to significant increases in wholesale electricity costs.<sup>13</sup>

In the VDO, the wholesale electricity cost (\$636) is 36% of the 2023-24 annual domestic bill, increasing by 87% from 2022-23 VDO wholesale cost inputs. In the SA DMO, the wholesale electricity cost (\$907) is 40% of the 2023-24 annual residential bill, increasing by 68% from 2022-23 DMO wholesale costs. The wholesale cost in the SA DMO (\$907) is approximately 1.4 times higher than the wholesale cost in the VDO (\$636).

South Australians pay the highest wholesale cost per MWh out of all DMO jurisdictions, and also faced the highest increases in wholesale costs in DMO jurisdictions (see Figure 3 below).

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<sup>9</sup> AER, [Default market offer prices 2023-24 – Final Determination](#), May 2023, p. 41

<sup>10</sup> AER, [Default market offer prices 2023-24 – Final Determination](#), May 2023, p. 43

<sup>11</sup> Essential Services Commission of Victoria, [Victorian Default Offer 2023-24 Final Decision](#), 25 May 2023, p.47

<sup>12</sup> AER, [Default market offer prices 2023-24 – Final Determination](#), May 2023, p. 27

<sup>13</sup> Essential Services Commission of Victoria, [Victorian Default Offer 2023-24 Final Decision](#), 25 May 2023, p. 3

**Table 5.1 Wholesale costs for 2023–24 DMO 5 final determination, \$/MWh (excl. GST, nominal)**

Distribution zone	Customer type	2022–23 (\$)	2023–24 (\$)	Change: year-on-year (%)
Ausgrid	Flat rate	122.23	186.09	52%
	CL 1	88.62	111.95	26%
	CL 2	87.26	111.70	28%
Endeavour Energy	Flat rate	124.25	189.50	53%
	CL 1	114.50	177.78	55%
	CL 2	114.50	177.78	55%
Essential Energy	Flat rate	115.97	178.00	53%
	CL 1	87.48	110.08	26%
	CL 2	87.48	110.08	26%
Energex	Flat rate	110.53	167.03	51%
	CL 1	86.65	112.52	30%
	CL 2	93.47	119.80	28%
SA Power Networks	Flat rate	134.53	226.13	68%
	CL 1	73.52	110.75	51%

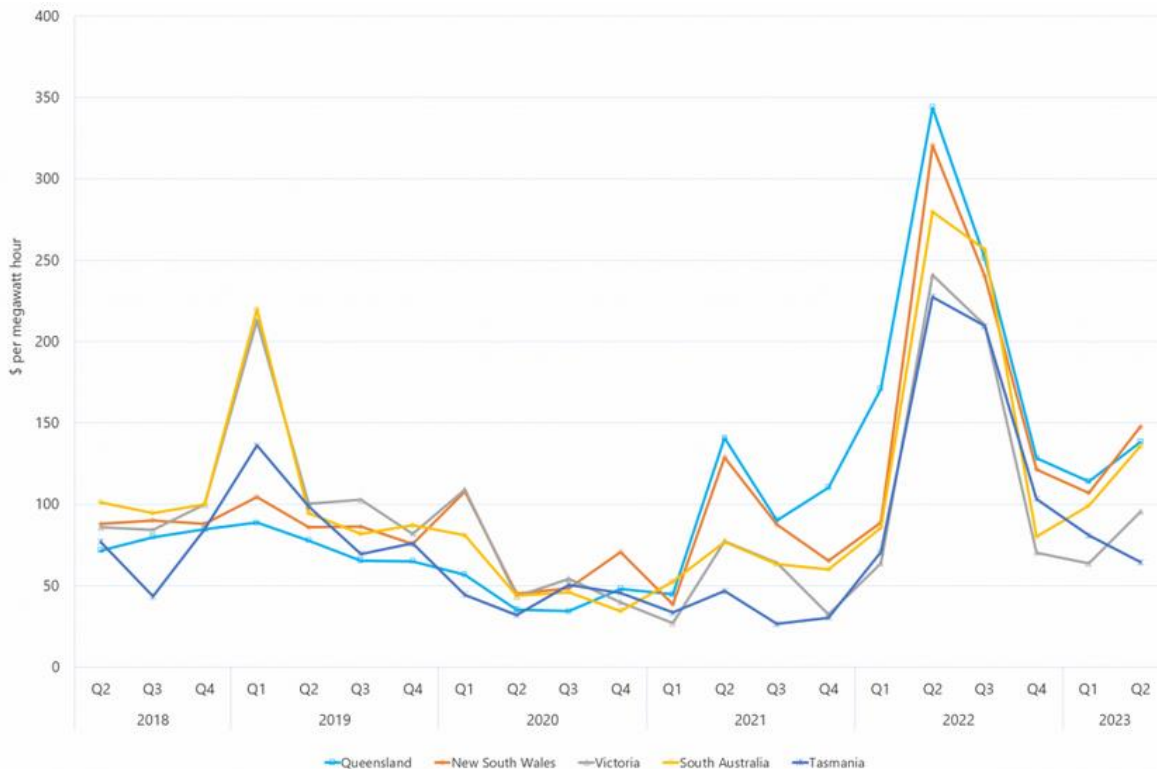
Note: CL refers to controlled load.

**Figure 3: Wholesale costs for 2023-24 DMO. Source: AER, 2023<sup>14</sup>**

This is despite the wholesale spot price in South Australia being lower than the wholesale spot price in Queensland and New South Wales in Q2 2023-24 (see Figure 4).

<sup>14</sup> AER, [Default market offer prices 2023-24 – Final Determination](#), May 2023, p.27





**Figure 4: Quarterly volume weighted average spot prices - regions. Source: AER, 2023<sup>15</sup>**

SACOSS has previously highlighted our concerns with ensuring lower spot prices are reflected in retail wholesale costs faced by consumers in South Australia,<sup>16</sup> and refers the Minister to the South Australian Productivity Commission's *Report on its Inquiry into South Australia's renewable energy competitiveness*.<sup>17</sup>

## Market Offers

The ACCC's *Retail Pricing Inquiry Report* published in June 2023<sup>18</sup> shows South Australian households experienced a 9.1 per cent increase in their quarterly median electricity bills between the September quarters 2021 and 2022 - the highest of all NEM regions. In comparison, New South Wales residents saw a 6.4 per cent rise in their bills, and Victorians 0.6 per cent.<sup>19</sup>

<sup>15</sup> AER, Wholesale markets statistics, [quarterly volume weighted average spot prices - regions](#)

<sup>16</sup> SACOSS, [2021-22 Briefing to Energy Minister](#), July 2022, pp. 10-12

<sup>17</sup> South Australian Productivity Commission, [Final Report: Inquiry into South Australia's renewable energy competitiveness](#), 10 August 2022

<sup>19</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p. 46

Whilst this data relates to bill increases as at September 2022, the ACCC highlighted that it expects the impact of higher prices will continue to flow into bills throughout 2023 and 2024, and warns that only a proportion of the consumption captured in its billing sample for the June Report will include the significant price increases from mid-2022.<sup>20</sup>

The ACCC estimates that bills for market offers have increased between April 2022 and March 2023 by 20% in South Australia, and 12% in Victoria (see Figure 5).

**Table 2.1 Estimated bills for market offers have increased**

*Estimated median annual bills paid by residential customers on single rate market offers, April 2022 and March 2023*

Region	April 2022	March 2023	Change (\$)	Change (%)
National Electricity Market	\$1,295	\$1,515	\$220	17%
New South Wales	\$1,460	\$1,830	\$370	25%
South Australia	\$1,520	\$1,830	\$310	20%
Queensland	\$1,290	\$1,603	\$313	24%
Victoria	\$1,186	\$1,323	\$137	12%

Source: ACCC analysis of Energy Made Easy and Victorian Energy Compare market offer data, 8 April 2022 and 8 March 2023. Nominal dollars, excluding GST.

Note: Assumed annual usage is 3,900 kWh in Ausgrid, 4,900 kWh in Endeavour, 4,600 kWh in Essential, 4,600 kWh in Energex, 4,000 kWh in South Australian Power Network, 4,000 kWh in all Victorian distribution regions. For states with multiple distribution regions, the median annual bill is the median of relevant offers in the state. Values for National Electricity Market include Tasmania. The Ergon distribution region is included in Queensland. The Australian Capital Territory is included in New South Wales.

**Figure 5: Estimated bills for market offers have increased. Source: ACCC, 2023**

Interestingly, the ACCC's June 2023 Inquiry into the NEM Report highlighted the convergence of market offers and the DMO / VDO as at March 2023, but anticipated the new standing offer prices (shown in red on Figure 6) would restore 'headroom' and future market offers would be priced below the DMO and VDO (with market offers set at a discount to the reference price).<sup>21</sup>

This does not seem to have eventuated, and subsequent to the publication of the ACCC's June Report, the ACCC published a media release on 10 August 2023 '*urging households and small businesses to contact their energy company and ask if a cheaper electricity plan is available, in light of some recent price increases in the range of 10 to 20 per cent above the regulated safety net.*'<sup>22</sup>

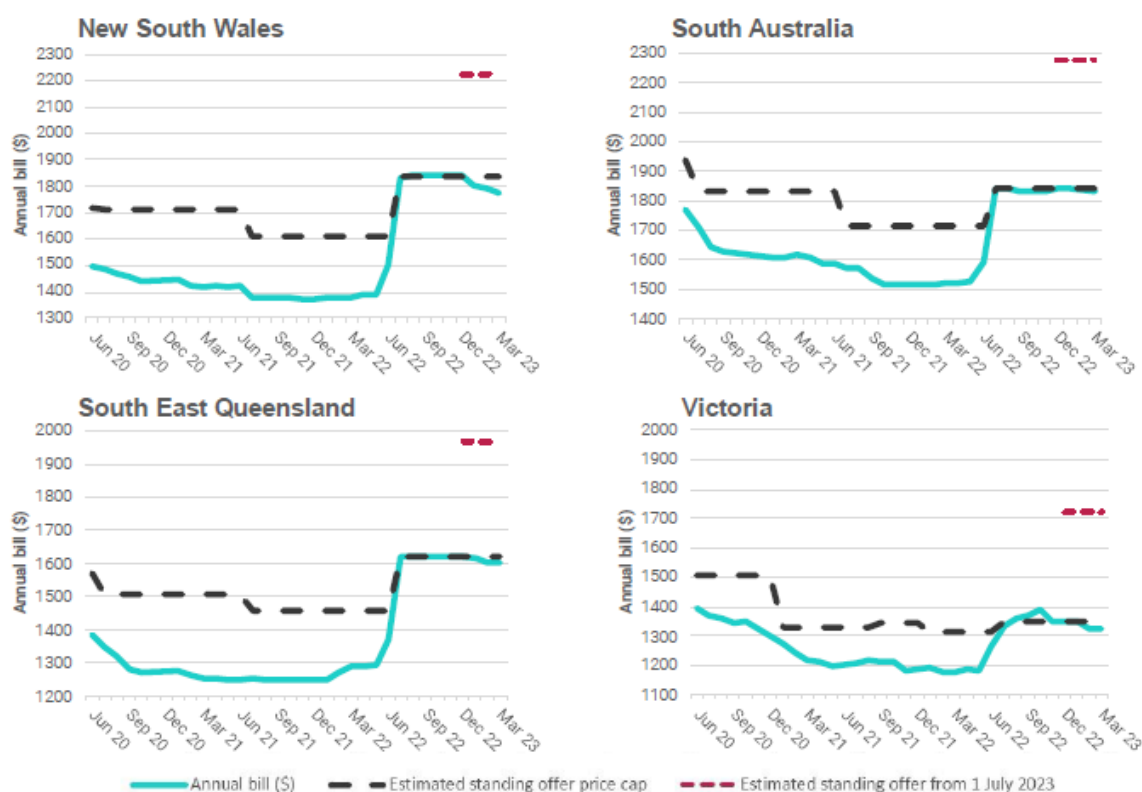
<sup>20</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p. 8

<sup>21</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p. 18

<sup>22</sup> ACCC, [Australian Urged to compare electricity plans as market offers exceed safety net](#), 10 August 2023

**Figure 2.3 Discounts available from market offers have diminished, and future prices expected to increase**

*Estimated median annual bill paid by residential customers on single rate market offers by region, from June 2020 to March 2023*



Source: ACCC analysis of Energy Made Easy and Victorian Energy Compare market offer data, 8 March 2023. Nominal dollars, excluding GST.

Note: Assumed annual usage in Ausgrid is 3,900 kWh, in Endeavour is 4,900 kWh, in Essential is 4,600 kWh, in Energex is 4,600 kWh, in South Australian Power Network is 4,000 kWh, in all Victorian distribution zones is 4,000 kWh. For states containing multiple distribution regions, the median annual bill is the median of relevant offers in the state, while the standing offer displayed is the median of the default offer prices from the relevant distribution regions. The Australian Capital Territory is included as part of New South Wales and Queensland includes the Ergon distribution region.

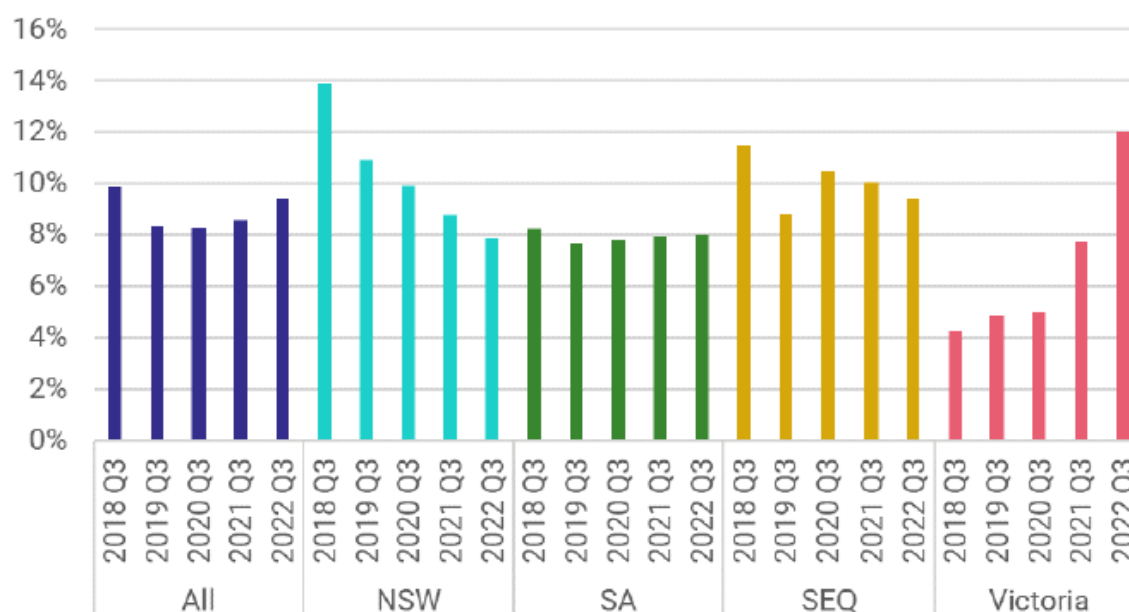
**Figure 6: Discounts available from market offers have diminished and future prices expected to increase.**  
Source: ACCC, 2023<sup>23</sup>

Tellingly, the ACCC have observed an increase in the proportion of customers on standing offers in Victoria increased from around 8% in Q3 2021 to 12% in Q3 2022 (see Figure 7), and we may expect to see a similar trend in South Australia given reports of some retailer's market offers set at 20% above the Reference Price (or DMO).

<sup>23</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p. 18

**Figure 3.2 The proportion of customers on standing offers decreased in New South Wales, South East Queensland and South Australia and increased in Victoria**

*Proportion of residential customers on standing offers by region, third quarter, from 2018 to 2022*



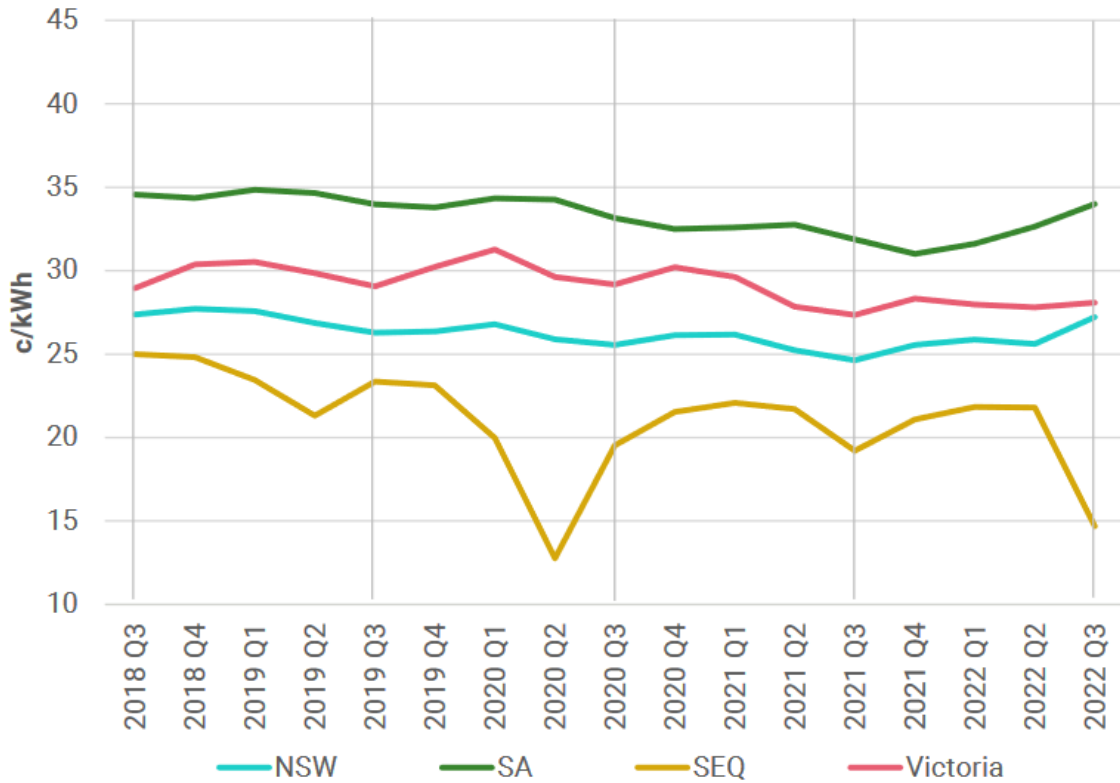
**Figure 7: Proportion of customers on standing offers in NEM jurisdictions. Source, ACCC, 2023<sup>24</sup>**

The ACCC's Report also shows South Australian customers continue to pay the highest effective prices in NEM regions, whilst there has been a decline in median residential usage (see Figures 8 and 9, below).

<sup>24</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p. 29

**Figure 4.5 Residential customers paid higher effective prices in all regions except South East Queensland**

*Median effective prices paid by residential customers by region, all quarters, from third quarter 2018 to third quarter 2022*



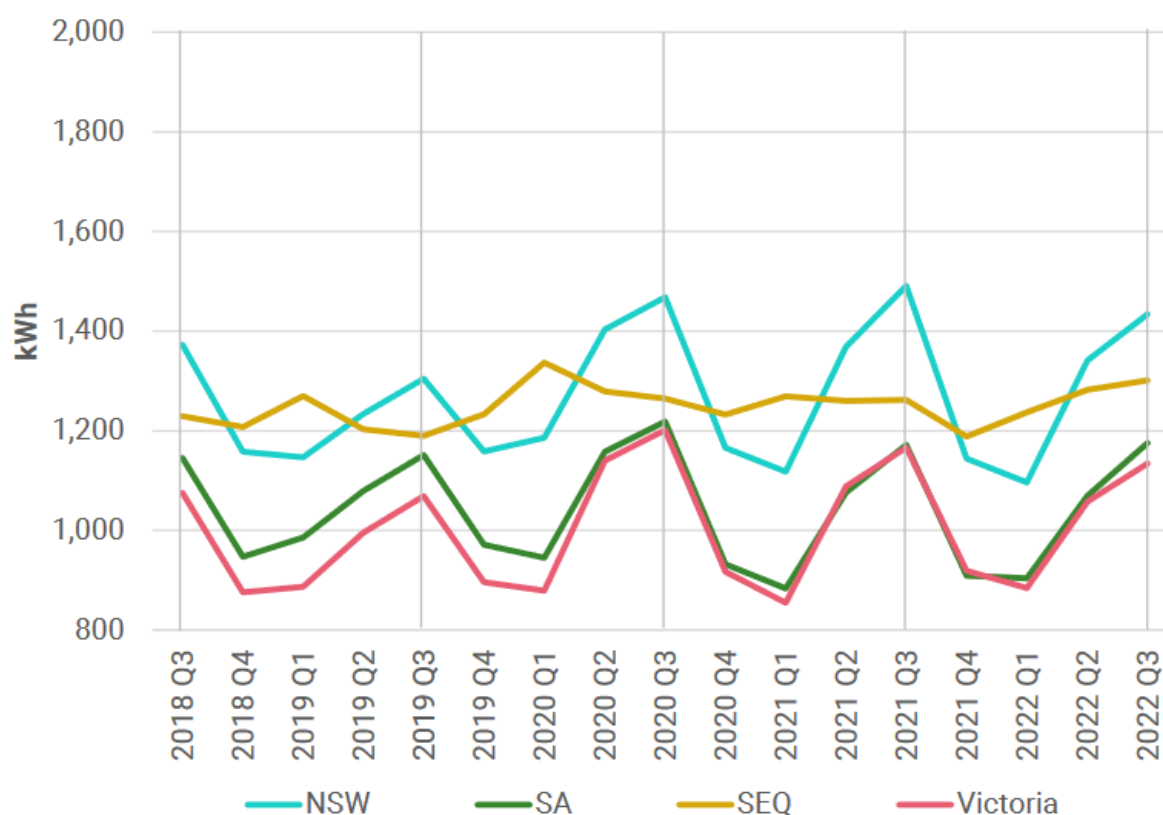
Source: ACCC analysis of retailer billing data. Nominal dollars, excluding GST.

**Figure 8: Median effective prices paid by residential customers by regions. Source, ACCC, 2023<sup>25</sup>**

<sup>25</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p.54

**Figure 4.8 Residential usage declined in all regions except South East Queensland**

*Median usage by residential customers by region, all quarters, from third quarter 2018 to third quarter 2022*



Source: ACCC analysis of retailer billing data.

**Figure 9: Median residential customer usage by region. Source: ACCC, 2023<sup>26</sup>**

SACOSS remains concerned about the impact of the significant increase in market offers we know South Australian customers are facing in 2023-24. The \$500 energy bill relief plan will provide some support for eligible customers, but the underlying issues associated with rising energy costs and inability to further reduce consumption remain. As outlined below, we are urging the Minister to look to energy efficiency programs as an ongoing and meaningful support to assist South Australian households with reducing their energy bills.

## Energy debt and support in South Australia and Victoria

### Debt and Hardship customer data - South Australia

South Australia is currently facing an energy affordability crisis, and the outlook for 2023-24 does not hold much promise of relief for struggling South Australian energy consumers. The AER's *Annual Retail Markets Report for 2022-23* is yet to be published, but the AER's *Annual Retail Markets Performance Report 2021-22* provides a picture of the experience of South

<sup>26</sup> ACCC, [Inquiry into the National Electricity Market](#), June 2023, p.57

Australian energy consumers to 30 June 2022, and we know that prices have risen since that time, and are predicted to continue to rise into the future.

As outlined above, the Default Market Offer 2023-24 increased by 24%<sup>27</sup> on 2022-23 levels, and retailers have advised households of tariff increases of up to 55% to apply from 1 July 2023.<sup>28</sup> These increases in energy bills represent a significant cost of living issue for South Australian households – electricity is essential to life and wellbeing, and many households are unable to reduce their usage, adding to the increasing unaffordability of energy.

The AER's 2021-22 Report shows that, as at 30 June 2022:<sup>29</sup>

- South Australia had the highest electricity price per unit in the National Electricity Market (NEM), with wholesale costs typically higher in South Australia, and network costs above the NEM average.<sup>30</sup>
- the median market offer in SA was the same as the standing offer (DMO 4) of around 45 cents per kWh, the highest in the Nation. In 2020-21, the median market offer in SA was around 36 cents per kWh, where the standing offer was around 42 cents per kWh.<sup>31</sup> This represents a 25% increase in the median market offer in SA over the 12 months to 30 June 2022, and we know prices have continued to increase exponentially since that time.
- In terms of affordability (calculated on the basis of the AER's Pricing and Affordability methodology), SA has the second most unaffordable energy behind Tasmania, this is despite SA having amongst the lowest average household electricity usage in the Nation (4,526 kWh), compared to Tasmania, which has a much higher average annual electricity usage of 8,393 kWh.
- Electricity in SA in 2021-22 was more unaffordable than the previous year, with low-income consumers spending 5% of their disposable income on electricity, compared to around 2% for average income consumers.
- Importantly, it is estimated that hardship households in SA use 73% more energy than the average SA households (7,830 kWh average annual hardship household usage, compared to 4,526 kWh for average households). Which means energy is more unaffordable for hardship households in SA, at around 8% of disposable income.<sup>32</sup>

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<sup>27</sup> AER, [Default Market Offer prices 2023-24: Final Determination](#), p.6

<sup>28</sup> See for example Alinta's Time of Use peak rate increase from 37.3c/kWh to 57.0 c/kWh to apply from 1 July 2023.

<sup>29</sup> Australian Energy Regulator, [Annual Retail Markets Report 2021-22](#), November 2022, p.31-45

<sup>30</sup> Australian Energy Regulator, [Annual Retail Markets Report 2021-22](#), November 2022, p. 35

<sup>31</sup> Australian Energy Regulator, [Annual retail markets report 2020-21](#), November 2021, p. 33

<sup>32</sup> Australian Energy Regulator, [Annual Retail Markets Report 2021-22](#), November 2022, p. 129

AER's Retail Performance data from Q3 2022-23 shows increasing numbers of customers repaying energy debt, and high debt levels across all indicators, clearly demonstrating an energy affordability crisis in South Australia:

- the number of customers repaying energy debt has increased from 22,331 in Q1 2022-23 to 27,561 in Q3 2022-23 (an increase of 23.4% in 6 months). This is slightly above the 22.4% increase in the number of customers repaying energy debt seen Nationally from Q1 2022-23 to Q3 2022-23 (increasing from 154,300 to 188,969).
- South Australia has the largest average residential energy debt (of customers not in a hardship program) in the NEM. The average debt of residential customers in SA is now \$1,227, \$228 above the National average. This represents an increase of \$183 in the average amount of residential energy debt in SA from 2018/19 (pre-pandemic) levels.
- Average debt on entry into hardship programs in Q3 2022-23 was \$1,727 (highest after Tasmania), and \$471 above the national average of \$1,256. However, the average debt on entry to hardship programs in SA has reduced by \$610 from \$2,337 in the 12 months since Q3 2021-22, which may point to retailers being more proactive in providing hardship supports in this state.
- Average debt of hardship customers has increased significantly from pre-pandemic levels - in Q3 2022-23 the average debt of a SA hardship customer was \$2,535 – the highest in the Nation (overtaking Tasmania), up \$672 from \$1,863 in 2018-19, and \$664 above the national average of \$1,871. Average debt of hardship customers has increased by 7.2% in 12 months since Q3 2021-22 up from \$2,364 to \$2,535.
- 798 customers were disconnected in SA in Q3 2022-23, compared to 1,325 during the same quarter 12 months ago. This is a fall of 40%. The percentage of customers disconnected in SA during Q3 2022-23 (0.1%) is the same as the National percentage.
- 2,965 customers were disconnected for non-payment in SA over the 12 months to Q3 2022-23, this is still well below pre-pandemic levels of 10,317 (or 1.33%) of customers disconnected in 2018-19. SA was above the National average of customers disconnected in 2021-22 (.56% as compared to .43% of customers).
- The number of customers on payment plans in SA increased by 276 in three months, from 15,473 or 1.9% of customer in Q2 2022-23, to 15,749 or 2.0% of customers in Q3 2022-23, but is still well below pre-pandemic levels (down from 2.7% of customers in 2017/18).
- Hardship customer numbers in SA increased by 453 (or 3%) in three months from 15,749 in Q2 2022-23 to 16,202 in Q3 2022-23, just slightly above pre-pandemic levels of 15,933 (or 2.05% of customers) in 2018-19.
- In total, the percentage of smart meter customers in SA on a time of use or flexible tariff, with an underlying distributor-based time of use or flexible network tariff, has increased from 52.3% 12 months ago, to 79.9% in Q3 2022-23.



Energy debt in South Australia is increasing because people can no longer afford to pay for their ongoing energy usage, and with projected increases in energy costs of around 50% over the next couple of years, governments must ensure their decision-making has energy affordability and equity as a primary consideration.<sup>33</sup>

### **Debt and tailored assistance customers – Victoria**

As outlined in the SACOSS Ministerial Briefing last year, 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.<sup>34</sup> The PDF entitles Victorian energy customers anticipating or experiencing payment difficulty to minimum levels of assistance, and tailored assistance for customers in debt. This differs from the NECF in that retailers must identify customers experiencing hardship prior to providing assistance.<sup>35</sup> On 31 May 2022 the ESC Vic delivered its Findings Report on the implementation of the PDF,<sup>36</sup> which found the PDF was broadly meeting its objectives.<sup>37</sup>

The total number of customers receiving tailored assistance in Victoria has increased to its highest level since the introduction of the PDF. In Q3 2022-23, 67,413 customers were receiving tailored assistance for electricity bills and 55,415 were receiving tailored assistance for gas.<sup>38</sup> This compares to 16,202 hardship customers and 15,749 payment plan customers in South Australia in Q3 2022-23.

Disconnections for non-payment in Victoria are increasing, but still remain below levels seen before the introduction of the PDF. In the 12 months to Q3 2022-23, 13,625 customers were disconnected for non-payment in Victoria,<sup>39</sup> as compared to 2,965 customers in South Australia.

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<sup>33</sup> Secretary to the Treasury Speech, 8 November 2022 <https://treasury.gov.au/speech/opening-statement-economics-legislation-committee-4>

<sup>34</sup> Essential Services Commission Victoria, [Energy Retail Code of Practice](#), 2022

<sup>35</sup> 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’

<sup>36</sup> Essential Services Commission Victoria, [Payment Difficulty Framework review 2022, Findings Report](#), 31 May 2022

<sup>37</sup> Essential Services Commission Victoria, [Payment Difficulty Framework review 2022, Findings Report](#), 31 May 2022, p. 13-14

<sup>38</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report June 2023](#), pp. 14-15

<sup>39</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report June 2023](#), p. 35

Figure 3: Residential customers receiving tailored assistance (total)

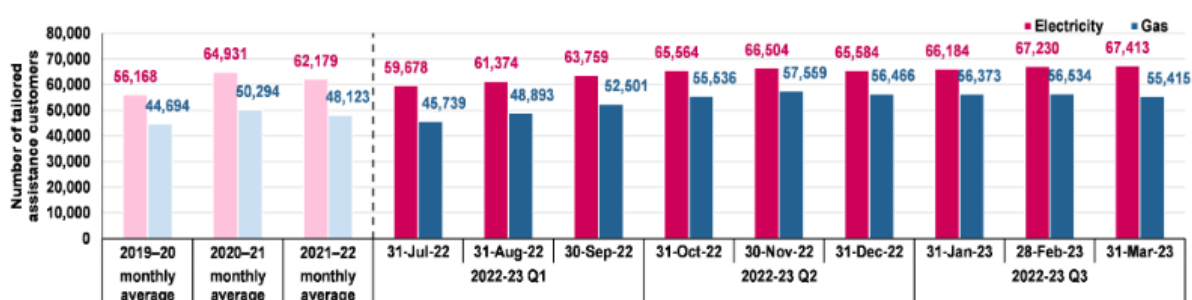


Figure 10: Residential customers receiving tailored assistance under the PDF (total). Source: ESC Vic, 2023<sup>40</sup>

The monthly average number of customers receiving help under the PDF increased by four per cent for electricity and 12 per cent for gas across 2022–23, compared to 2021–22.

The average arrears of customers receiving help in Victoria also increased – by 7% for gas and 2% for electricity in 2022–23. The total average arrears for electricity customers receiving tailored assistance in Victoria was \$1,101 in Q3 2022-23, and the average arrears for residential customers receiving tailored assistance who cannot pay ongoing usage (akin to South Australian hardship customers), was \$1,781 for electricity and \$1,361 for gas.<sup>41</sup>

The average electricity debt of South Australian hardship customers is \$2,535 - \$754 more debt than Victorian tailored assistance customers who cannot pay ongoing usage (\$1,781). It is unclear from AER data what percentage of the average South Australian non-hardship residential customer debt of \$1,227 relates to gas and what percentage relates to electricity, as electricity and gas are combined in 'energy debt' reporting requirements. The current Review of the AER's *Monitoring and Performance Guideline* is looking to require retailers to report separately on gas and electricity debt for customers not in a hardship program.<sup>42</sup>

SACOSS would like to see the percentage of South Australian customers receiving support from energy retailers in the form of payment plans or hardship programs increase in line with the percentage increase of customers in debt. Whilst there has been a slight increase in payment plan (1.7%) and hardship customer (3%) numbers for Q3 2022-23, this is not in line with the significant increase in customers in energy debt (23.4% in 6 months), and appropriate supports should be offered by retailers in South Australia earlier and more readily.

<sup>40</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report June 2023](#), pp. 14-15

<sup>41</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report June 2023](#), pp. 14-15

<sup>42</sup> AER, [Performance Reporting Procedures and Guidelines Review Issues Paper](#), July 2023, p. 11

## **Government support to alleviate burden of rising costs**

The Victorian Government offers a range of supports for households to offset the burden of rising energy costs, including Utility Relief Grants (discussed in more detail below), a 17.5% Energy Concession<sup>43</sup> on electricity charges up to an annual limit of \$3,563 (up to \$623.50), or an excess Electricity Concession<sup>44</sup> of 17.5% on charges over the annual limit, as well as the Victorian \$250 Power Saving Bonus (for all households),<sup>45</sup> matched by a \$250 payment to be made under the Federal Government's Energy Bill Relief Fund (for eligible households) in September / November 2023.<sup>46</sup> Eligible households for the \$250 Energy Bill Relief Payment include all eligible concessions households, as well as households in receipt of a carer allowance, commonwealth Seniors Health Card or Family Tax benefit.

The South Australian Government offers an energy bill concession<sup>47</sup> of up to \$263.15 per year for 2023-24, the SA Concessions Energy Discount Offer<sup>48</sup> with Origin (guaranteeing 17% below the Default Market Offer for concessions customers), and the Federal / State government energy bill relief \$500 payment for eligible households (paid as a quarterly amount of \$125) from September 2023, for eligible concessions customers as well as account holders who have a pensioner concession card, Health care card, DVA Gold Card, Commonwealth Seniors Health Card, Family Tax Benefit A or B, and Carer Allowance. Eligible small businesses will receive up to \$650 a year (paid quarterly). The South Australian Government also offers an Emergency Electricity Payment, discussed in more detail below.

SACOSS acknowledges the \$500 energy bill relief may absorb some of the bill increases for eligible households over the coming 12 months, but we remain concerned about the increasing unaffordability of energy for all South Australians, and urge the Minister to consider long-term policies and energy efficiency programs to assist households to reduce energy consumption into the future.

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<sup>43</sup> Victorian Government, Department for Families, Fairness and Housing, [Annual Electricity Concession](#)

<sup>44</sup> Victorian Government, Department for Families, Fairness and Housing, [Excess Electricity Concession](#)

<sup>45</sup> See [Victorian Energy Compare](#). The current round of the Power Saving Bonus will close on 31 August 2023. This bonus was paid directly to households and not off the electricity bill.

<sup>46</sup> Australian Government, Department of Climate Change, Energy, the Environment and Water, [Energy Bill Relief Fund](#)

<sup>47</sup> South Australian Government, Department of Human Services, [Energy Bill Concession](#)

<sup>48</sup> South Australian Government, Department of Human Services, [Energy Discount Offer](#)

## South Australia's Emergency Electricity Payment Scheme and Victoria's Utility Relief Grants Scheme

The purpose of South Australia's Emergency Electricity Payment Scheme (EEPS)<sup>49</sup> is to provide meaningful assistance to households in a financial crisis who are unable to pay their electricity debt. EEPS is a \$400 payment made once every three years for eligible households. Over the past several years, fewer households have been able to access this important emergency support payment.

The Department of Human Services (DHS) Annual Reports point to continued declining expenditure on EEPS. The State Government spent \$184,000 on EEPS Grants in 2022, down from \$216,000 in 2021, and \$319,000 in 2020. At \$400 per payment, this means only 460 households were able to access Emergency Electricity payments in 2022 (down from 797 in 2020), **representing a 42% drop in payments in two years.**<sup>50</sup> As outlined above, South Australian households have experienced burgeoning energy debt levels over that period, pointing to a clear failure of EEPS to achieve its objectives.

In contrast, the Victorian Government's Utility Relief Grants Scheme saw a 22% increase in Utility Relief Grants approved and credited to customers' accounts between July 2022 and March 2023 (86,482 between July 2022 to March 2023, compared to 70,796 between July 2021 to March 2022).<sup>51</sup>

Figure 5: Utility Relief Grant applications approved

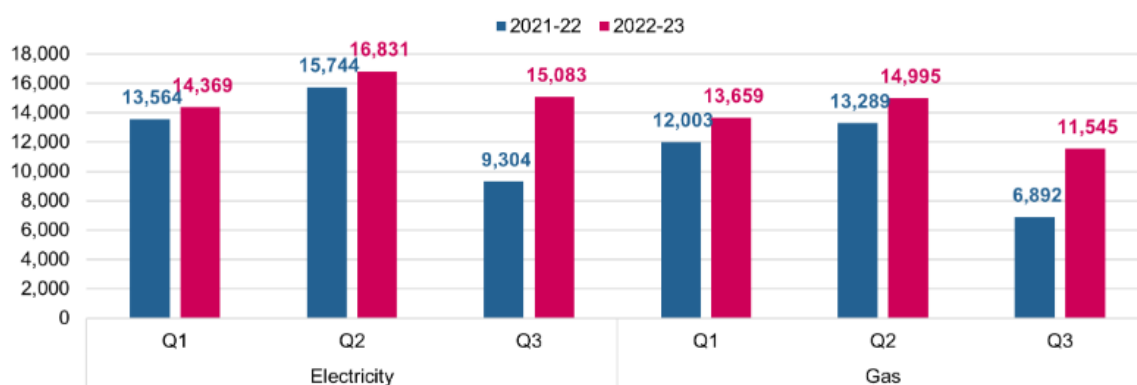


Figure 11: Victorian Utility Relief Grant Applications Approved. Source: ESC Vic, 2023<sup>52</sup>

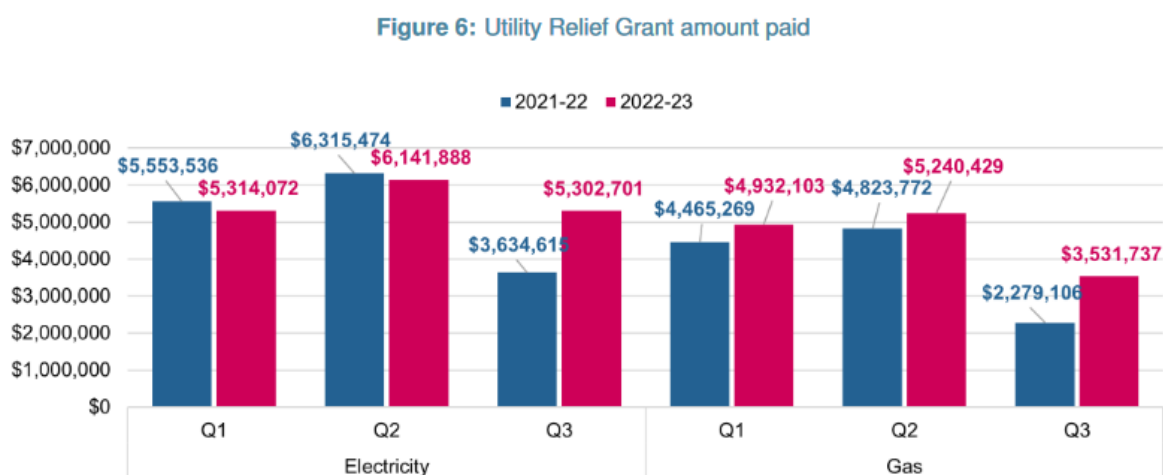
<sup>49</sup> South Australian Government, Department of Human Services, [Emergency Electricity Payment Scheme](#)

<sup>50</sup> Government of South Australia, Department of Human Services, [2021-22 Annual Report](#), p.119

<sup>51</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report](#), June 2023, p. 17

<sup>52</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report](#), June 2023, p. 17

The thresholds for Utility Relief Grants over a two-year period is \$650 for electricity and \$650 for gas or \$1,300 for a customer with only a single source of energy. As seen in the Graph below, around \$8,834,438 was paid in Victorian Utility Relief Grants for electricity and gas (combined) in Q3 of 2022-23 alone. This is in contrast to the \$184,000 paid in EEPs grants for the entirety of the 2021/2022 financial year in South Australia.



**Figure 12: Utility Relief Grant amount paid. Source: ESC Vic, 2023<sup>53</sup>**

Given the current cost of living and energy affordability crisis and future uncertainty associated with the energy transition, we are urging the South Australian Energy Minister to advocate for the Department of Human Services to review and amend EEPs as a priority.

## Acceleration of the smart meter roll-out

The AEMC has recently published its Final Report on the review of regulatory frameworks for metering services.<sup>54</sup> The AEMC's Final Report recommends a 100% uptake of smart meters in NEM jurisdictions by 2030. This accelerated roll-out presents opportunities and risks for South Australian energy consumers on low-incomes or experiencing disadvantage, and SACOSS is calling on the Minister to prioritise addressing those risks. In particular, SACOSS is concerned about:

- Lack of tariff choice for smart meter customers in South Australia
- Remote disconnection for non-payment
- Lack of awareness and education around smart meters and tariffs
- Site remediation costs for customers on low-incomes or in vulnerable circumstances.

On the presumption that market-based outcomes promote consumer choice, the AEMC has decided to go against the ACCC's recommendation that retailers be required to provide

<sup>53</sup> Essential Services Commission of Victoria, [Victorian Energy Market Report](#), June 2023, p. 18

<sup>54</sup> AEMC, [Final Report: Review of the Regulatory Frameworks for Metering Services](#), 30 August 2023

smart meter customers with a retail offer using a flat rate tariff structure.<sup>55</sup> In light of this decision by the AEMC, and in the face of clear evidence that smart meter customers in South Australia have no choice of retail tariff structure,<sup>56</sup> SACOSS is calling for the South Australian Government to enact jurisdictional requirements that align with Recommendation 14 of the ACCC's *Retail Electricity Pricing Report*, including a requirement that retailers provide a retail offer using a flat-rate structure.<sup>57</sup> This may involve the repeal or amendment of Regulation 6A of the *National Energy Retail Law (Local Provisions) Regulations 2013*.

As outlined in SACOSS' 2021-22 Briefing to the Minister,<sup>58</sup> we remain concerned about retailers pursuing remote disconnections for non-payment, enabled by the universal deployment of smart meters. Some jurisdictions have prohibited remote disconnections, and we are calling for the South Australian Government enact jurisdictional requirements to prohibit remote disconnection for non-payment and introduce a 'knock to stay connected' process prior to disconnection.<sup>59</sup>

The AEMC's Final Report recommends the collaborative development of a communication strategy on the smart-meter roll-out, potentially driven by governments through the Energy and Climate Change Ministerial Council, and actioned well before the accelerated roll-out commences in 2025.<sup>60</sup> As a priority, SACOSS is calling on the Minister to include an allocation within the 2024-25 State Budget to adequately resource (potentially in conjunction with the Federal Government) the development of a comprehensive communication strategy to educate South Australians about the smart meter deployment. As identified by the AEMC, this strategy should include contributions to the development of a Smart Energy Website, and information on:<sup>61</sup>

- the deployment of smart meters to take place
- the role of smart meters in the energy transition
- the benefits of smart meters to the electricity system

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<sup>55</sup> AEMC, [Final Report: Review of the Regulatory Frameworks for Metering Services](#), 30 August 2023, p. 62

<sup>56</sup> SACOSS, [Submission to the AEMC on the Review of Regulatory Frameworks for Metering Services](#), 9 February 2023, pp 12-17

<sup>57</sup> ACCC, [Retail Electricity Pricing Inquiry Report – Final Report](#), June 2018, p. xix

<sup>58</sup> SACOSS, [Annual Briefing to the Minister for Energy](#), 19 July 2022, p.23

<sup>59</sup> See the Australian Energy Regulator, [Consumer Vulnerability Strategy, Draft for Consultation](#), December 2021, pp 39-40 and [The Energy Charter, knock before you disconnect](#)

<sup>60</sup> AEMC, [Final Report: Review of the Regulatory Frameworks for Metering Services](#), 30 August 2023, p. 76

<sup>61</sup> AEMC, [Final Report: Review of the Regulatory Frameworks for Metering Services](#), 30 August 2023, p. 76

- how customers can make the best use of smart meters
- roles and responsibilities of customers and industry participants for remediation, notification and information provision
- description of the different types of cost-reflective tariffs and how customers could make the best use of each.

South Australians on low-incomes or in vulnerable circumstances face significant costs risks associated with site remediation works required for the smart meter deployment. The AEMC has indicated that site remediation is part of a customer's installation costs, and it is therefore outside the AEMC's power to make rules to assist with the cost of remediation.<sup>62</sup> The Final Report suggests jurisdictional governments could implement arrangements to help support customers to meet remediation costs, and recommends that 'jurisdictions examine remediation obligations during the period of the Commission's subsequent rule change process, with a view to safely minimising the cost burden on consumers.'<sup>63</sup> SACOSS is calling on the Minister to consider the future budget implications of providing financial support for customers to address remediation issues and ensure an equitable accelerated deployment of smart meters.

### **Improving Affordability Through Energy Efficiency**

SACOSS urges that significant and rapid energy efficiency retrofits and upgrades are essential for reducing the cost of energy for South Australian households, particularly those on low incomes, and maintaining the long-term affordability and stability of the energy system.

The cost of building and maintaining transmission and distribution networks accounts for around half of each electricity bill. By reducing the need for new electricity infrastructure requirements through greater efficiency the system can be made more affordable for everyone.

The Energy Efficiency Council of Australia states that:

*"the purpose of our electricity system is to meet people's demand for services such as comfortable homes and productive businesses. If we need less electricity to meet this demand, we will need to spend less on generation, storage and networks. This makes building a 100% renewable grid faster, easier, and cheaper"*<sup>64</sup>.

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<sup>62</sup> AEMC, [Final Report: Review of the Regulatory Frameworks for Metering Services](#), 30 August 2023, p. 89

<sup>63</sup> AEMC, [Final Report: Review of the Regulatory Frameworks for Metering Services](#), 30 August 2023, p. 98

<sup>64</sup> EEC (2023) [Clean Energy Clean Demand](#)



SACOSS supports this view and encourages an emphasis on and prioritization of energy efficiency measures alongside rapid household electrification as key elements of a more equitable and affordable energy system.

The International Energy Agency is clear that “energy efficiency action is the unambiguous first and best response to simultaneously meet affordability, supply security, and climate goals”<sup>65</sup>. Rapidly improving the efficiency of our energy system needs to be a priority for the government now and into the future – particularly as part of South Australia’s energy transition. Not only does improved energy efficiency keep energy systems affordable, it helps minimise the risk that challenges associated with the roll out of generation, storage, and transmission changes could significantly delay the energy transition.

There is a strong case for rapid electrification of households in South Australia, not just as a means of emissions reduction for our state (and to ensure we meet emissions reduction targets) but for protecting households from rising costs - not to mention insulate them from increased network and transmission infrastructure costs. Modelling from Rewiring Australia<sup>66</sup> demonstrates that the full electrification of households in Adelaide by 2030 would:

- save the average Adelaide households \$4100 per year in energy bills and vehicle costs
- provide a combined \$1.5 billion in overall savings across all households in Adelaide
- create economic flow on effects that could (both directly and indirectly) create up to 9,600 new jobs.

Further, the full electrification of South Australian households would reduce our state’s emissions by 42.4%. And the technology to do this already exists. Importantly, the benefits of home electrification are amplified when electrification occurs at scale.

However, not all households can access the technologies – and subsequent benefits – needed for energy efficiency upgrades and electrification equally.

In particular, prioritising the transformation of household heating and cooling lends itself to not only significantly cutting household energy costs but also improving their energy efficiency while also significantly reducing emissions. Space heating and/or cooling accounts for an average of 40% of household energy use in Australia, and depending on the climate zone and building performance, this can range from 20%-50%. Policies in these areas can intersect to support greater reliance on electricity rather than natural gas for heating, and recent research from SACOSS and Renew highlights the significant savings and benefits of switching from gas heating to electric heating and cooling. Even small energy efficiency

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<sup>65</sup> IEA (2019) [\*Multiple Benefits of Energy Efficiency \(from “hidden fuel” to “first fuel”\*](#)

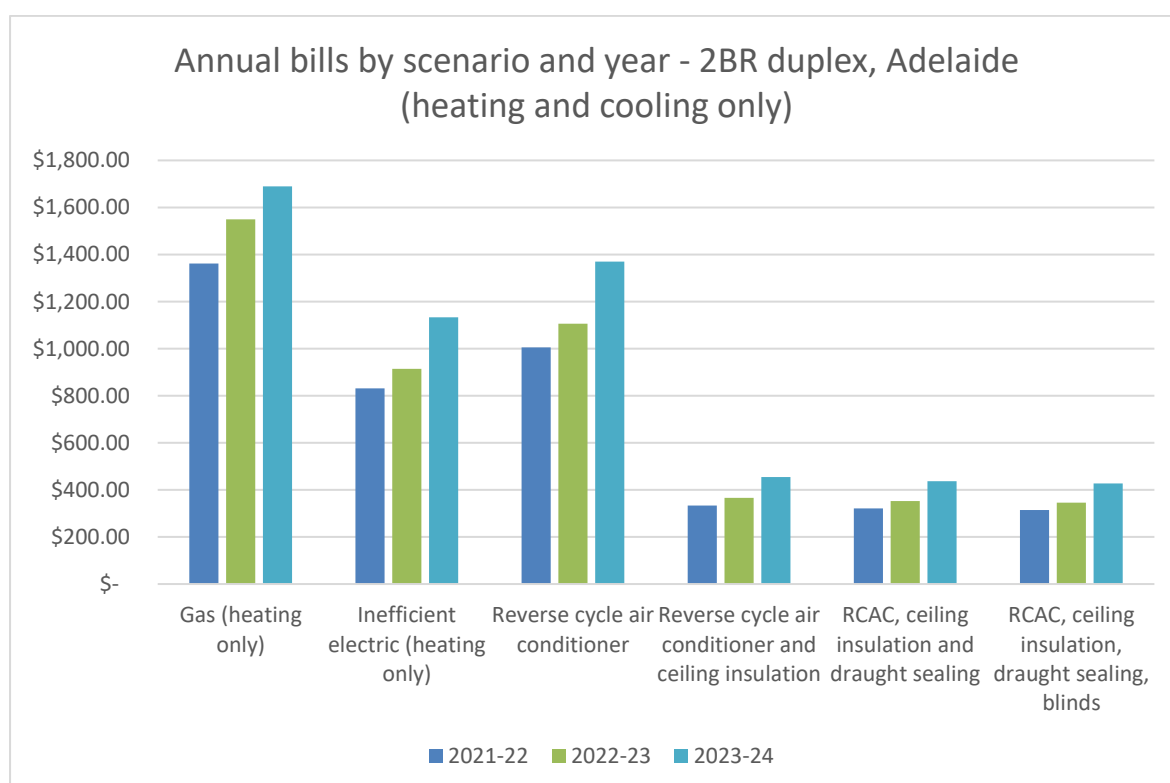
<sup>66</sup> Rewiring Australia (2021), [\*Rewiring Adelaide\*](#)



retrofits and appliances can make a big difference to household bills and emissions, but savings and other benefits are further compounded when deeper retrofits are undertaken.

In a two-bedroom duplex, using July 2023-24 tariff prices:

- Installing RCAC to replace gas heating would pay for itself in 7.4 years, or in 2 years if it is not used for cooling. If there was a 50% rebate on the upfront costs, it would pay for itself in 3.7 years
- Installing RCAC to replace gas heating, as well as installing ceiling insulation, draught sealing, and blinds, would pay for itself in 3.8 years, or in 3.3 years if the RCAC is not used for cooling. If there was a 50% rebate on the upfront costs, it would pay for itself in 1.9 years.

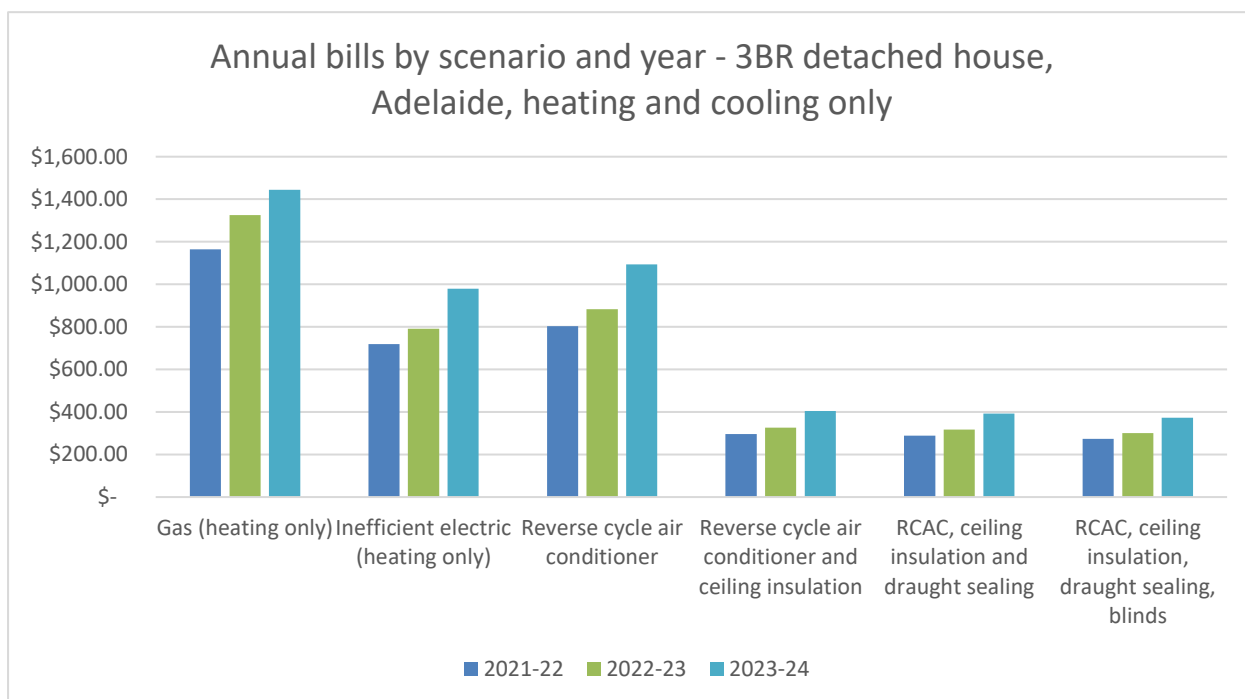


**Figure 13: Annual bills for a 2BR duplex in Adelaide following energy efficiency interventions<sup>67</sup>**

In a three-bedroom detached house, using July 2023-24 tariff prices:

- Installing RCAC to replace gas heating would pay for itself in 6.8 years, or in 2.5 years if it was not used for cooling. If there was a 50% rebate on the upfront costs, it would pay for itself in 3.4 years
- Installing RCAC to replace gas heating, as well as installing ceiling insulation, draught sealing, and blinds, would pay for itself in 5.1 years, or in 4.6 years if it was not used for cooling. If there was a 50% rebate on upfront costs, it would pay for itself in 2.6 years.

<sup>67</sup> SACOSS & Renew, 2023, [Efficient heating and cooling in Adelaide homes](#)



**Figure 14: Annual bills for a 3BR house in Adelaide following energy efficiency interventions<sup>68</sup>**

The impact on energy affordability that energy inefficiency has is particularly notable in rental housing. Research from Better Renting estimates that approximately 145,000 rental households (out of a total 190,000 rental households in SA) would significantly benefit from improving energy efficiency and in particular from the introduction of minimum standards. Their calculations indicate that the average inefficient rental household is missing out on \$2800 worth of benefits per year, and the most inefficient households (it is estimated that there are about 42,000) are missing out on about \$4500 a year. This means that energy inefficiency is costing renters cumulatively about \$410 million a year in South Australia<sup>69</sup>.

There is also evidence that targeted government support is highly effective in assisting low-income homes to access the significant benefits of improved energy efficiency. One example is the Outreach Energy and Water Efficiency Program facilitated by the ACT Government. The program provided eligible low-income households with some (or all) of the following:

- A home energy efficiency assessment and education
- New energy-efficient and water-efficient appliances to replace old, inefficient appliances
- A retrofit to improve the energy efficiency of water efficiency of households

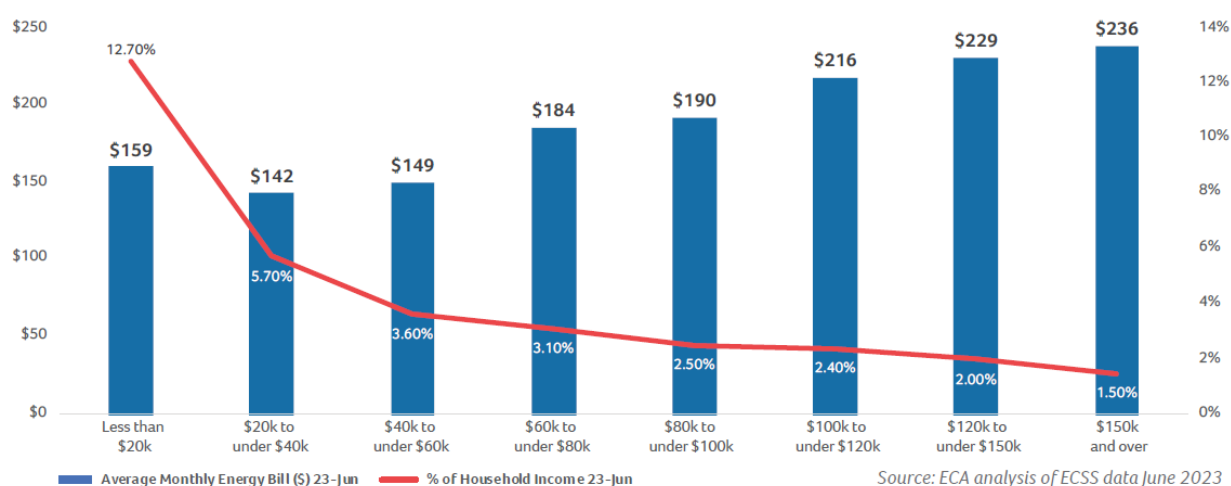
The program delivered significant energy and water savings for households, but also identified that draught sealing was consistently the most cost-effective retrofit measure, and that insulation also significantly reduces the energy used (while delivering increased

<sup>68</sup> SACOSS & Renew, 2023, [Efficient heating and cooling in Adelaide homes](#)

<sup>69</sup> Better Renting, 2023, [The cost of inefficient rental housing in South Australia](#)

comfort) in case study homes<sup>70</sup>. These results are supported by similar programs in other jurisdictions, such as the Home Energy Efficiency Upgrade Program in Victoria<sup>71</sup>.

There is a significant risk that without targeted programs and support, households who cannot afford to improve their energy efficiency on their own get left behind as more affluent households electrify and/or disconnect (or rely less) on the grid. Research from Energy Consumers Australia and the CSIRO highlights the disproportionate amount that lower income households pay for their energy:



**Figure 15: Average monthly energy bill by Household income<sup>72</sup>**

This is compounded by the fact that most actions that households can take to reduce their energy bills (predominantly by increasing their energy efficiency) have high upfront costs – which is a barrier that is particularly difficult to overcome for low income households. Further, rising housing costs are pushing more low-income households into rental properties where they face additional barriers (such as the on-average poorer quality of housing and lack of landlord permission for retrofits). More affluent households are already electrifying their households, and without support households under financial pressure will fall further behind. We are already seeing the beginnings of this divide expressed in consumer sentiment surveys which show that households on lower incomes or under financial pressure are less likely to have rooftop solar and are also more likely to remain on the gas network. This is a serious risk, particularly as other households electrify, as the network prices (and the price of gas in general) is projected to increase. More than half of consumers are concerned that energy will become unaffordable for them within the next three years<sup>73</sup>; if significant steps are not taken to address this now, many households will be unable to afford the energy they need.

<sup>70</sup> Lighthouse Architecture (2021) [Proof that retrofit measures work](#)

<sup>71</sup> BSL (2016) [Home Energy Efficiency Upgrade Program Final Report](#)

<sup>72</sup> ECA & CSIRO, 2023, [Stepping Up: A smoother pathway to decarbonizing homes](#)

<sup>73</sup> ECA, 2023, [Consumer Sentiment Survey June 2023](#)

CSIRO's technical modelling as part of this research shows clearly that households that can afford to invest in efficient, all-electric homes benefit from significant energy savings compared to households that can't or don't:

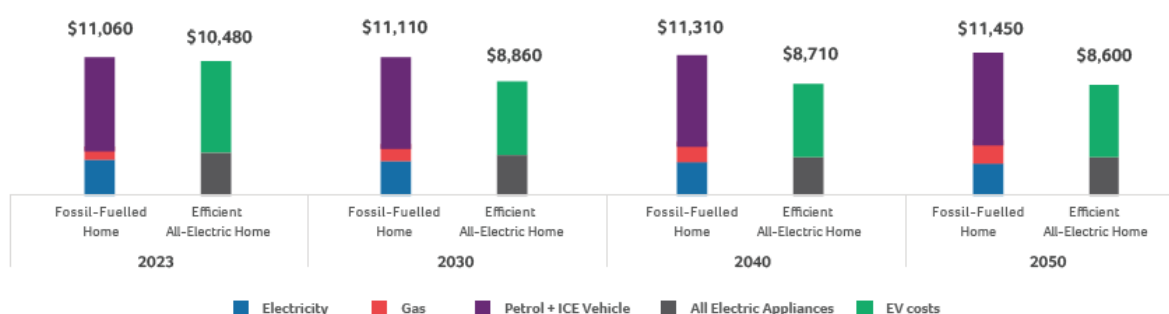


Figure 16: Total Household Energy Spending in select years<sup>74</sup>

A failure to address ongoing energy affordability and to invest in energy efficiency upgrades and electrification – and in particular, a failure to support and prioritise renter and low-income households – will entrench inequality and energy hardship into the future.

There are existing models South Australia can adopt and build upon. While the following section will consider the *Retailer Energy Productivity Scheme* (REPS), SACOSS also encourages the government to consider the *Victorian Energy Efficiency Target* (VEET) Act 2007<sup>75</sup> as an example of long-term energy efficiency targets and a supported strategy on how to achieve them – with significant compliance and enforcement requirements as well<sup>76</sup>.

## Improving Priority Customer Access to REPS

### Background

The Retailer Energy Productivity Scheme (REPS) offers incentives for South Australian households and businesses to improve energy productivity via energy retailers:

- The stated objective of REPS is ‘improve energy productivity for households, businesses and the broader energy system, with a focus on low-income households. This will reduce energy costs and greenhouse gas emissions.’
- The Minister for Energy and Mining (‘Minister’) sets annual energy productivity targets which must be met by electricity and gas (energy) retailers operating in South Australia (‘obliged retailers’).
- There is a separate target for ‘priority group’ households, which are defined by regulations as determined by the Minister. Currently, priority group households include residential premises where a person resides and:
  - Holds a recognised concession card

<sup>74</sup> ECA & CSIRO, 2023, [Stepping Up: A smoother pathway to decarbonizing homes](#)

<sup>75</sup> [Victorian Energy Efficiency Target \(VEET\) Act 2007](#)

<sup>76</sup> ESC, 2021, [Victorian Energy Upgrades Performance Report 2021](#)

- Receives the South Australian government energy bill concession
- Has a residential tenancy agreement with the landlord of the premises and the rent for the premises is \$400 or less per week
- Is participating in an energy retailer's customer hardship program
- Is actively participating in an energy retailer's payment plan, or
- Has received a referral from a registered member of the South Australian Financial Counsellors Association
- The Minister determines the list of eligible REPS energy productivity activities, and obliged retailers decide on the activities and incentives they will offer to customers, as well as how they will deliver them (e.g. discounted services, cash rebates, vouchers)
- Retailers often sub-contract out activity targets to a small number of third-party activity providers (e.g. MAC Trade Services, Your Energy Savings Solution; YESS, Ecovantage). These third-party activity providers also then sub-contract relevant trades to complete activities.

### **Diminishing returns for priority group households**

Low-income households are paying disproportionately more for the Retailer Energy Productivity Scheme (REPS) but are receiving fewer benefits.

The most recent REPS annual report<sup>77</sup> suggests that the number of activities delivered to priority group households halved between 2021 and 2022 – (22,903 activities in 2021 and 10,909 activities in 2022) – although the total deemed energy savings increased by 2 per cent. This was due to an increase in uptake of higher-value activities such as reverse-cycle AC (93 per cent increase) and a decrease in lower-value activities such as standby power controllers (92 per cent decrease) and lighting (79 per cent decrease).

This shift was less pronounced for non-priority group households (only a 28 per cent decrease in activities). There was also a 19 per cent decrease in total deemed energy savings for the non-priority group households, although there were more credits applied from the previous year compared to the priority group households.

The current program for REPS is divided into two five-year stages (2021 to 2025 and 2026 to 2030), with annual energy productivity targets set by the Minister until 2025. SACOSS notes that while the total annual energy productivity target increases year on year, the priority group and residential sub-target stays constant at 500,000 GJ.<sup>78</sup> (See Figure 13 below).

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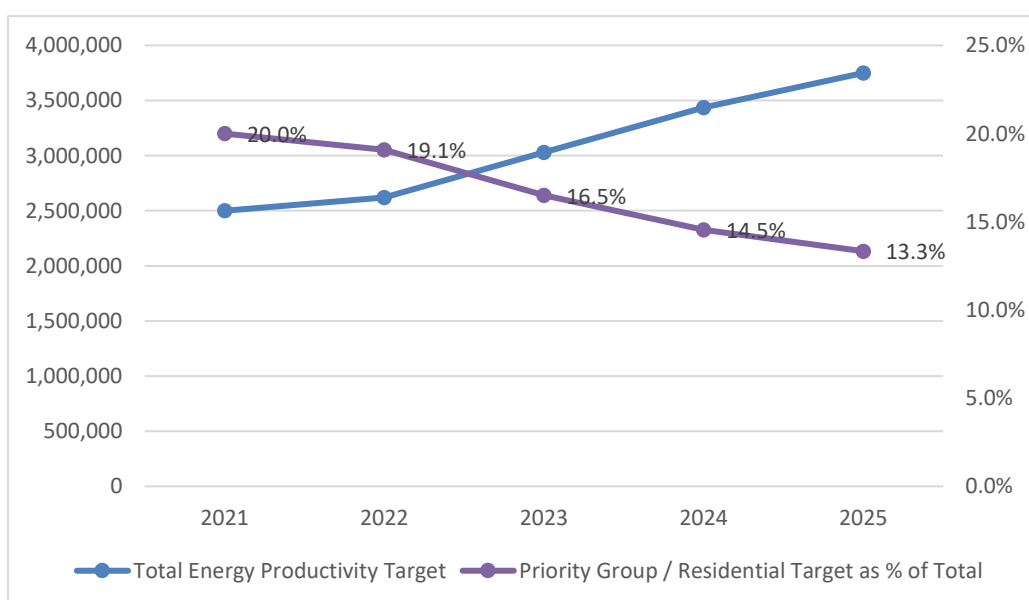
<sup>77</sup> <https://www.escosa.sa.gov.au/ArticleDocuments/21892/20230319-REPS-AnnualReport2022.pdf.aspx?Embed=Y>

<sup>78</sup> <https://www.energymining.sa.gov.au/industry/energy-efficiency-and-productivity/retailer-energy-productivity-scheme-reps/rep-thresholds-and-targets>

Annual energy productivity targets (normalised gigajoules of energy)	2021	2022	2023	2024	2025
Total Energy Productivity Target	2,500,000	2,620,945	3,029,222	3,437,500	3,750,000
Priority Group Sub-target	500,000	500,000	500,000	500,000	500,000
Residential Sub-target	500,000	500,000	500,000	500,000	500,000

**Figure 17: Annual Energy Productivity targets per group. Source: DEM**

Effectively, this means that the proportion of energy productivity savings from the priority household and residential group diminishes from 20% of the total target in 2021 to 13.3% in 2025 (See Figure 14 below). Noting that the cost of REPS is recovered via all consumers' bills and that energy bills are regressive (i.e. those on lower incomes pay a bigger proportion of their income on energy), from an equity perspective, this represents an inefficient and inequitable distribution of scheme costs and benefits.



**Figure 18: Priority group energy productivity (in GJ of deemed energy savings) as a proportion of the overall annual energy productivity target, 2022. Source: SACOSS analysis of REPS thresholds and targets**

Low-income households and those experiencing disadvantage are not only paying more for REPS and receiving fewer benefits, but they also face greater barriers to access the scheme. For example, renters often require approval from property owners for activities to be completed, and upfront costs/co-payments can be prohibitive to engaging with the program. SACOSS understands that REPS activity providers are reporting challenges in meeting their priority household group targets. We suggest that the structure of the priority group sub-target (i.e. the current failure to keep pace with the overall target) might inadvertently disincentivise retailers and activity providers from putting more effort into reaching this cohort. This is particularly the case as larger GJ savings are achievable from commercial customers.

SACOSS suggests that more emphasis needs to be placed on not only improving priority customer access to REPS (e.g. by improved referral pathways, wrap-around supports, information and education), but in increasing the ambition of the priority group sub-target.

SACOSS therefore calls for the Minister amends the annual REPS priority household group sub-target by increasing it significantly for the next year, and increasing it year on year in line with the total target.

### **Cost recovery of environmental schemes**

In South Australia, the cost of 'environmental schemes' make up approximately 11% of the residential customer bills.<sup>79</sup> This includes the Federal large-scale renewable energy target (LRET) and the small-scale renewable energy scheme (SRES), as well as the State premium feed-in tariff (FiT) scheme and the state-based energy efficiency scheme (i.e. REPS).

As per Figure 15 below, South Australia has the highest average effective price per residential customer for environmental costs in the NEM. This is largely due to South Australia's legacy premium feed-in tariff (44c per kWh) being paid to around 87,000 customers who were early adopters of solar PV,<sup>80</sup> with the scheme due to expire in 2028.<sup>81</sup> The ACCC have been critical of the cost of environmental schemes being recovered from all consumers, particularly given the distributional impacts on energy affordability.<sup>82</sup>

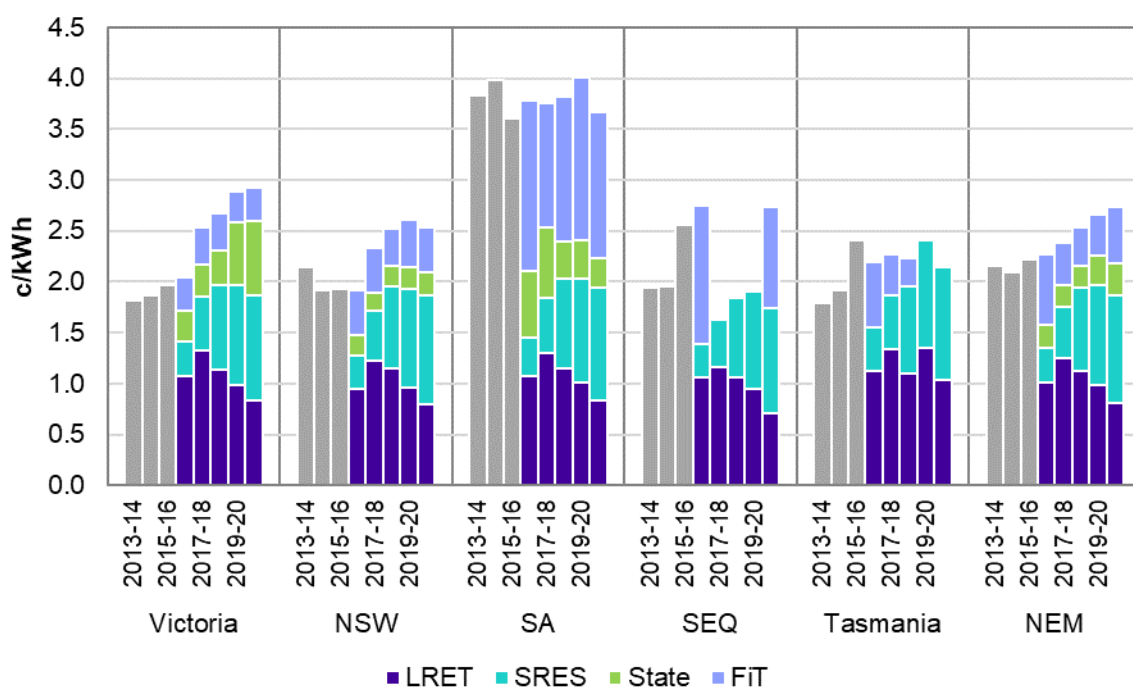
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<sup>79</sup> ACCC (2021) Inquiry into the National Electricity Market – November 2021 report, [Supplementary Excel spreadsheet with cost stack data and charts - Inquiry into the National Electricity Market - November 2021 report](#), Supplementary Table E3.1 B

<sup>80</sup> AEMC, Residential Electricity Price Trends Report 2021

<sup>81</sup> <https://www.sa.gov.au/topics/energy-and-environment/energy-bills/solar-feed-in-payments>

<sup>82</sup> ACCC (2018) [Retail Electricity Pricing Inquiry—Final Report](#), p x – xi.



**Figure 19: Average environmental cost per residential customer by NEM regions, 2013–14 to 2020–21, real \$2020–21 (excluding GST)<sup>8</sup>**

Energy bills are regressive, with low-income households paying double the percentage of their income on energy as average income households, so any additional costs disproportionately impact low-income households.

We therefore encourage the South Australian Government to consider removing the cost of government environmental schemes from household energy bills to be recovered from government budgets.

Alternatively, if the Government were not willing to take on a long-term cost impost, they should consider funding a short-term doubling of REPS activities (perhaps in partnership with major retailers) to priority group households in order to accelerate energy productivity improvements for low-income households. We also suggest that the cost of this should not be passed on to consumers, particularly since all energy consumers already have costs associated with REPS as part of their energy bills. It is difficult to accurately estimate what a doubling of REPS would cost, as we have been unable to find reporting on the scheme's cost breakdown. However, we have produced a rough estimate of just over \$10 million a year – or at least, this is the amount that is recovered from South Australian consumers each year for the purposes of the scheme (the average household pays \$13 a year for REPS<sup>83</sup>, and there are 802,880 residential customers in South Australia). We are, however, doubtful that the cost of the scheme is adequately returned to consumers in the form of

<sup>83</sup> ESCOSA, 2023, REPS – [Retailer Energy Productivity Scheme – Annual Report 2022 – June 2023](#)



benefits given the potential duplication of various administrative structures across multiple retailers and service providers.

It is our present understanding that the costs associated with REPS are not reported due to commercial in confidence reasons. However, this limits the ability to assess the scheme properly. We would suggest that it is not sufficient to assess the scheme's success solely on measures of energy savings delivered. This is consistent with the findings of research assessing the effectiveness of energy efficiency schemes, which strongly recommends multiple streams of assessment and reporting for energy efficiency schemes to ensure their full benefits are being realised<sup>84</sup>. Again, this is consistent with the Victorian experience of VEU program<sup>85</sup>. It would also be good to know what (if any) bill savings have been achieved for consumers who participated in the REPS program.

That being said, with consideration of the factors above, this would point to a government contribution of funding to REPS – especially if a portion of the scheme were to be administered by government as well – to achieving a significant increase in the scale, scope, and speed of energy efficiency retrofits in South Australia.

#### **Recommendations for REPS**

- The Minister amends the annual REPS priority household group sub-target by significantly increasing it for the next year, and increasing it year on year in line with the total energy productivity target

OR

- The South Australian Government consider co-funding a short-term doubling of the REPS target for priority group households

AND/OR

- The South Australian Government remove the cost of government environmental schemes from household energy bills, to be recovered from government budgets
- Improve transparency and reporting of REPS outcomes, including better monitoring and follow up to assess consumer experiences.

#### **Available data and analysis**

Given the extreme market volatility over the past 12 months, it is worth mentioning the lag of available data and analysis on energy price trends up to 30 June 2023 in National Energy Market (NEM) jurisdictions. The ACCC's June 2023 Report on its *Inquiry into the National Electricity Market*<sup>86</sup> examines bills and prices faced by customers based on retailers' billing

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<sup>84</sup> ECA, 2019, [Effectiveness of Household Energy Efficiency Interventions in Advanced Economies – what works and what doesn't](#)

<sup>85</sup> ESC, 2022, [Victorian Energy Upgrades Performance Report 2021](#)

<sup>86</sup> ACCC, [Inquiry into the National Electricity Market – June 2023 Report](#), 30 June 2023

data up to the third quarter (September) of 2022, and also provides some useful analysis of the data on market offers (as at June 2023) relative to the Default Market Offer 2023-24 (DMO) and the Victorian Default Offer (VDO). The ACCC's analysis in the June Report does not capture the significant increases in market offers that we have seen in South Australia in the last 9 months. However, the ACCC has been monitoring letters sent by energy companies advising of price increases to apply from 1 July 2023 in the range of 10 to 20 per cent above the DMO, and published a press release on 10 August 2023 urging customers to contact their retailer.<sup>87</sup>

The Australian Energy Market Commission (AEMC) determined not to publish its *Residential Electricity Price Trends* report modelling in mid-2023 (as previously indicated<sup>88</sup>), and will instead be publishing a new 10-year forecast report in late 2024.<sup>89</sup> The AEMC says this change in approach is largely due to market volatility, but also recognises similar short-term analysis on consumer price trends is carried out by the Australian Energy Regulator as part of its DMO Determination each year.

The Australian Energy Regulator's *State of the Energy Market Report 2023* is due to be published later this year, and the AER's *Annual Retail Markets Performance Report 2022-23* will be published in late November 2023. The AER's *Wholesale Markets Quarterly Report* for Q2 2023,<sup>90</sup> published in July 2023 provides a recent analysis of trends in wholesale markets, but is less useful to informing an understanding the current and future retail prices faced by energy customers in South Australia.<sup>91</sup> The AER's *Default Market Offer Prices 2023-24 Final Determination*<sup>92</sup> provides analysis and forecasts of each component of retail bills – wholesale, environmental, network and retail costs – within the context of the policy settings (and SACOSS has referred to this analysis in comparison to ESC Vic's analysis for the VDO, to provide a comparison of South Australian and Victorian standing offers, as a benchmarking tool).

The Essential Services Commission of South Australia published its *Energy Retail Price Offers Comparison Report for 2021-22* in August 2022,<sup>93</sup> which did not capture the impact of the volatility of the energy market seen in May – June 2022. We look forward to the publication

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<sup>87</sup> ACCC, [Australians urged to compare electricity plans as market offers exceed safety net](#), 10 August 2023

<sup>88</sup> AEMC, [Residential Electricity Price Trends report to be published in mid-2023](#), 1 December 2022

<sup>89</sup> AEMC, [Update of residential electricity prices report](#), 20 July 2023

<sup>90</sup> AER, [Wholesale Markets Quarterly Q2 2023](#), July 2023

<sup>91</sup> As outlined in SACOSS' 2021/22 Annual Briefing to the Minister, South Australia has lower average wholesale spot prices than NSW, but South Australians face higher wholesale retail prices.

<sup>92</sup> AER, [Default Market Offer Prices 2023-24: Final Determination](#), May 2023

<sup>93</sup> ESCOSA, [Electricity Retail Price Offers Comparison Report 2021-22](#), August 2022

of the 2022-23 Report, and also to ESCOSA's *Inquiry into Retail Energy Prices Report* which we understand was provided to the Minister in Draft form in May 2023.<sup>94</sup>

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<sup>94</sup> ESCOSA, [Inquiry into retail energy prices](#)