



9 August 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 understand that Energy Ministers are meeting and will consider updating the National Electricity Objectives (NEO) to include an emission reductions element, which we support. To ensure the NEO better meets the needs of people, we strongly urge you to also include language to drive social equity and demand-side outcomes.

As you know the NEO are currently:

*"to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:*

- *Price, quality, safety and reliability and security of supply of electricity*
- *The reliability, safety and security of the national electricity system"*

Given the rapid and far-reaching changes and transformation of the energy system, we believe the NEO is no longer fit-for-purpose and no longer reflects what is in the long-term interests of consumers.

Changes to the energy market design, rules and regulations, growth in new technology, products and services, and the unequal distribution of energy market costs, have already created wide ranging and serious social equity impacts, with the potential to get worse. The current framing of the NEO does not give regard to the social or distributional impacts of energy policy or regulatory decisions, especially for low income and disadvantaged households that go beyond just 'price'.

It has been argued that social outcomes are more appropriately dealt with by other public policy levers, and we agree there is an important role for government to provide safety nets. However, markets must also play a role in achieving social equity outcomes. For example, market design, rules and regulations can have a positive impact on social equity dimensions, by:

- distributing costs, benefits and risks transparently and fairly to allow for equitable outcomes regardless of people's ability to engage with the energy system;

- incentivising energy market participants to innovate in ways that bring benefits to all consumers; and
- providing appropriate protections to support people to access affordable, efficiently priced basic energy supply regardless of how much or little they interact with energy services.

Other jurisdictions have successfully included social objectives in their energy regulatory regimes, including the United Kingdom and New York State.

With the rapid pace of energy transition, people most at risk are being left behind. Given the essential nature of energy supply, it is important that market bodies and market participants place social and distributional impacts at the centre of energy policy and regulatory decisions. Incorporating an explicit reference to social equity in the NEO would ensure this fundamental consideration is part of decision making.

We would also ask ministers to replace the term 'price' with 'affordability' (or an equivalent term) to place focus on the actual bills paid by households. We believe that changing the NEO so that it refers unequivocally to energy affordability will help drive adoption of and investment in options to reduce energy demand, like energy efficiency and demand management, as well as supply-side options.

Finally, we understand the desire to maintain reform momentum on emissions reductions. However, we believe given the delicacy and sensitivity of changes to the NEO we strongly recommend that ministers agree to a period of at least six weeks for stakeholders to consider any text that emerges from the upcoming Ministerial meeting and to provide feedback.

Yours sincerely,

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