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Dear Antonia

Submission regarding Energy Efficiency Improvement Scheme targets 2018-2019

Thank you for the opportunity to provide a submission on the Energy Efficiency Improvement Scheme targets for 2018. I have provided information below and encourage you to review the material provided in the reports referenced in this submission, for sources of evidence regarding the issues raised.

There were significant rises in utilities prices over the past year. The most significant rise in utilities costs was gas and other household fuels which rose by 17.8% in the past year (with the whole of the rise occurring in the September quarter), which was markedly above the national rise (+7.8%). This was the largest single increase in one quarter since CPI records started being kept for this item in December 1989. Electricity prices increased by 10.6%, which was below the rise seen across the country (+12.4%).

The smaller increase in electricity prices in the ACT is 2018 follows the cost of electricity rising in the ACT is 2017 by 6.3% compared to 4.7% nationally. Retail electricity prices have increased by about 80-90% in real terms since 2007-08. Most of this increase was due to higher network costs between 2008 and 2013. Prices then remained stable until 2016 but then increased again mainly due to wholesale cost rises.

These cumulative price rises have put significant pressure on low income household budgets, including households whose primary source of income is a Centrelink payment, who are on a fixed retirement income and households reliant on minimum wage jobs.

The pressures caused by energy price rises need to be understood in the wider context on costs of living in the ACT. Costs of living are relatively high compared with other capital cities. Over the past year the Consumer Price Index in Canberra rose 2.2% – the second highest rate of rise in the country, along with Sydney and Melbourne, behind only Adelaide (2.3%). This was above the national rise of 1.9%.

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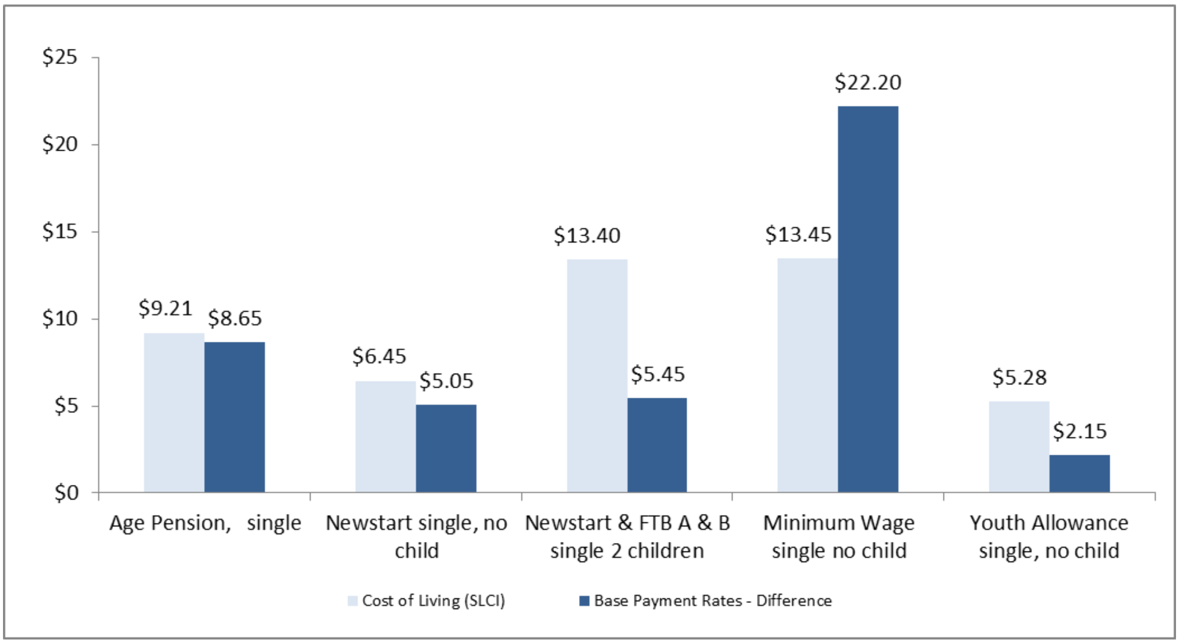
The ABS data for the ACT states housing (which includes utilities) rose by 5.3%, above the national rise (+3.4%). Rents rose by 2.3%, above the national rise (+0.7%).

The ACT has one of the highest costs of private rental accommodation in the nation, so if you are in a low income household you are spending a disproportionate amount of your income on housing, which does not leave sufficient funds in a monthly budget to cover other essential costs of living, including energy.

Anglicare Australia's 2018 *Rental Affordability Snapshot* found that out of 1,176 rental properties, only 41 were suitable to households living on income support payments and only 84 were suitable for households living on the minimum wage. There were no rental properties that were affordable and appropriate for many other low income households.

In the ACT, households purchasing a basket of goods and services that are largely non-discretionary (e.g. housing, transport, food, energy, healthcare) have experienced a greater increase in their costs of living than the average household. The table below outlines the gaps between a selected living costs index (SCLI) and income increases in households whose income comes from minimum wage work or income support payments.

Change in selected income support payments vs cost of living (SLCI), Dec 2016 – Dec 2017



Sources: Centrelink, *A Guide to Australian Government Payments*, released quarterly, 20 September – 31 December 2016 and 20 September – 31 December 2017, Centrelink, Canberra, Centrelink 2016, p.2, 5, 12, 23, 26, 32, 37, 38; Centrelink 2017, p.2, 5, 13, 25, 27, 32, 33, 38, 39. NOTE: The rate of growth of the SLCI is calculated by multiplying the December 2016 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type.

The most extreme impacts of energy price rises are eligibility for hardship and energy debt relief programs, and disconnections. Demand for hardship and debt relief programs have been rising over the past year, and growth is accelerated as more people become aware of their entitlement to access these programs.

The most recent figures from the Australian Energy Regulator (AER) indicate the number of disconnections is steady, even with significant efforts by financial counsellors, emergency relief services, ACAT, retailers and the distributor to prevent customer disconnection.

The AER monitors figures on the energy-related debt that results from customers not paying their bills on time. The AER reported that in December 2017, in the ACT, there were 5,909 households with electricity debt, with the average amount of debt being $807.00. Households with gas debt came in at 6,258 with an average debt of $598.00.

There are lower numbers of small businesses with debt compared to households, however the average amount of debt is higher. In the ACT in December 2017 AER reports that there were 444 small businesses with electricity debt and the average amount of debt was $1,416.00; and there were 163 small businesses with debt with the average amount of debt being $2,910.00.

These facts and figures explain why low income households and small businesses with narrow margins of profit are limited in the choices they can make, have limited opportunity to save anything from their weekly budget and are living pay to pay.

Low income customers are the most likely to be living in housing that has poor energy efficiency and are either unable (as renters) or incapable (as low income home owners) to make capital investments in their housing to reduce energy usage.

The particular problems for renters in the private market were highlighted in a report released by Better Renting in July 2018 that calculated the impact of inefficient housing on energy costs. The report found that:

> For an average-sized property with an EER of 0, it would cost $2,800 to produce the same amount of heat that would be free in a property with an EER of 5. To put it another way, renters in such a property are being frozen out of free heat equivalent to running two 2000W electric heaters 24/7 from mid-May to September. We estimate that the ACT has roughly 24,000 rental properties that would attain an EER lower than 5. With an average household burden of just over $1,600, the total burden borne by all ACT renters living in energy-deficient properties is equivalent to over $39,000,000.

In addition to the financial costs incurred from what Better Renting call “energy deficient” housing, people living in under-heated housing carry a health cost, in the form of increased risk of respiratory illnesses and increased costs to deal with exacerbations of existing health conditions caused by exposure to cold living environments.

These households are unable to participate in many of the Energy Efficiency Improvement Schemes because they either do not have permission from their landlord to modify their housing and/or have no capacity to co-contribute to the costs of government or industry assistance programs.

The National Centre for Social and Economic Modelling analysed data from the 2016 census and estimated the extent of poverty in the ACT. This research found that there were 34,543 people living in poverty (defined as less than $500/week income) in the ACT in 2015-16 (representing 9.2% of the total ACT population). There were 8,897 children (representing 12.7% of the 0-14 age group) included in these figures. Older people, people living with disabilities, single parent families and Aboriginal and/or Torres Strait Islander people were over-represented in these figures.

The current EEIS target of 20% of households should capture at least this number of low income households that could benefit from assistance to improve the energy efficiency of their housing and places of business. Between 2013 and 2016 19,381 priority households benefitted from EEIS activities. There are many more households in need of assistance that are not benefitting from the EEIS.

Recommendations

Priority household target should remain at 20%.

Priority household eligibility for EEIS should be extended to households with an income from work, if that income is below $500/week before tax.

Low income households need assistance to understand the support they are eligible to access (financial and practical) to reduce their energy bills and accumulated debts, get assistance to interpret their energy bills, engage with the EEIS and to build capacity to adapt their building fabric and their energy usage patterns.

The EEIS should resource targeted information and support to low income households around behaviour change to improve comfort in homes and reduce energy costs. This support should be funded through a partnership between government and industry and should be provided by an existing NGO working with low income households that can offer both in home coaching and financial counselling services.

Energy customers who are unable to access the heater replacement services offered through the EEIS because they are in rental housing should be able to access portable heating that will enable them to heat living rooms in their home to a temperature that is suitable for healthy living. The provision of portable heating should be accompanied by coaching services to ensure good consumer education and adaption strategies to reduce risk of costs staying high because behaviours don't change.

Yours sincerely

Director

10 July 2018