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Submission the Senate Select Committee's inquiry into Electricity Prices

Background

The ACT Greens have long been proponents of sustainable energy policy as a means to ease cost of living pressures. It is our belief that good environmental policy leads to good social policy. Despite having the lowest electricity prices in Australia,¹ Canberrans, particularly our community's most vulnerable, are feeling the heat of recent price rises. In 2012-13 alone, prices have risen by 17.8%.² With millions of dollars of grid upgrades in the pipeline, the ACT can only expect these rises to continue unless we embrace opportunities to diversify our energy supply, increase our uptake of distributed energy sources and invest more aggressively in energy efficiency measures.

It is critical that Australia explores and supports strategies to both tackle the root cause of electricity price rises and minimise their impacts. Whilst it is not within the Greens remit to suggest technical solutions to the many complex drivers and national issues pertaining to recent rises, we hope to add value to the inquiry by sharing insights from two ACT energy efficiency case-studies. It is hoped that these case-studies will highlight the important role that demand management can play in any attempt to address price rises.

Countering price rises through energy efficiency

Approaches to tackling rising electricity price rises typically focus on supply and regulation, often overlooking the powerful role of demand management. As the saying goes, the cheapest energy is the energy you don't use. Energy efficiency is the low hanging fruit in the price rise challenge. Indeed, energy experts worldwide agree that it is by far the best option for cheaply reducing emissions and dealing with

¹ Australian Energy Market Commission (2011), Possible Future Retail Electricity Price Movements: 1 July 2011 to 30 June 2014, p.5

² Independent Competition and Regulatory Commission (2012), 2012-14 Price Determination, p.iii, http://www.icrc.act.gov.au/data/assets/pdf_file/0005/249917/Report_4_of_2012_June_2012.pdf

rising bills. Energy efficiency investments are typically cost negative, with the value of the energy savings quickly exceeding the upfront cost. According to the United Nations:

'only energy efficiency can generate nearly immediate results with existing technology and proven policies and do so while generating strong financial returns'.

It would seem therefore that greater Government support for energy efficiency measures should form a critical component of any response to rising electricity prices. In recognition of this fact, the ACT has been pursuing a range of energy efficiency initiatives, two of which are discussed in more detail below.

The Energy Efficiency Improvement Scheme

In June 2012, the ACT Government, with support from the Greens, passed a non-certificate based supplier energy efficiency scheme (the Scheme) which is accessible to households and SMEs. Retailer-obligation energy efficiency schemes are gaining popularity within Australia and overseas, with similar schemes already underway in South Australia, Victoria, the United Kingdom and the United States. Under the Scheme, energy retailers are legally required to meet energy saving and abatement targets through the delivery of subsidised energy efficiency upgrades to their customers. In meeting the targets, retailers must choose from a list of approved energy efficiency measures, each of which is assigned an abatement score. Whilst the costs of the upgrades are passed through by the retailer to their customer base, the Scheme will still deliver net bill savings to participating households of \$305 in the first 3 years and in excess of \$2,140 over the lifetime of the upgrade. Given that 25% of the upgrades are to be delivered in priority households, the Scheme will play an important role in countering rising bills for Canberra's most vulnerable households. In addition to the economic and social benefits, the scheme is forecast to deliver reductions of over 6% in stationary emissions within the first 3 years of operation with guaranteed minimum annual reductions of 4.7%. The ACT Scheme is just one example of how marked bill savings can be achieved through Government supported demand management initiatives.

For more information about the Scheme:

http://www.environment.act.gov.au/data/assets/pdf_file/0003/244434/Energy_Efficiency_Improvement_Bill_-_Regulatory_Impact_Statement_2012.pdf

Minimum Energy Efficiency Standards for Rental Properties

In 2011, the Greens introduced legislation requiring all ACT rental properties to meet minimum standards, of which one was energy efficiency. Given that almost 30% of ACT residents live in tenanted properties, this legislation has the potential to deliver widespread benefits. Whilst many of the ACT's rental properties are of good quality, many older properties are not. Given Canberra's cold winters and hot dry summers, these sub-standard rental properties end up with the highest running costs and ironically, tend to be occupied by those on the lowest incomes. The Greens Bill sought to establish a minimum 3 star energy rating for all rentals (as well as water efficiency and security standards) as a means of easing cost of living pressures whilst also generating reductions in energy consumption and greenhouse gas emissions.

Legislated minimum standards for rental properties are supported by a range of community organisations throughout Australia, including ACTCOSS, the brotherhood of St Laurence, the Consumer Utilities Advocacy Centre and the Victorian Council of Social Services. They are seen as an effective way to overcome the split incentive phenomenon whereby landlords are reluctant to invest in capital upgrades from which only their tenants will benefit. Unfortunately, the Greens bill was voted down by both the Government and the Opposition. A similar bill was introduced into the Victorian Parliament in 2009 by Greens member Greg Barber and there are moves to push for similar standards in Tasmania. However, that no jurisdiction in Australia has legislated minimum standards for rental properties indicates that there is significant potential for this area to minimise the impacts of price rises nationally.

For more information about the bill:

http://www.legislation.act.gov.au/es/db_42920/default.asp

Conclusion

It is hoped that these case-studies assist in the development of a national approach to rising electricity prices. It is our belief that greater attention ought to be given to the role that demand management strategies, for example retailer obligation schemes and minimum energy efficiency standards, can play in addressing current electricity price rises. We look forward to the outcomes of the Inquiry and commend the Committee for undertaking this important work.

Yours sincerely,

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