

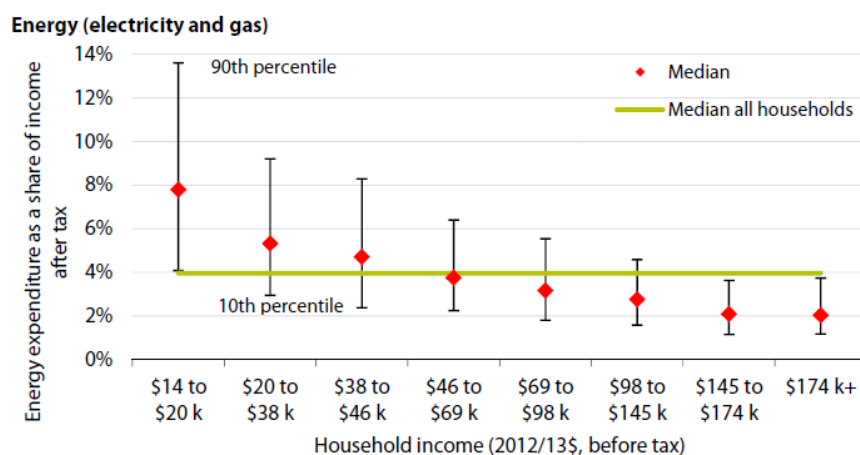
## Submission to the Select Committee on Electricity Prices

The Queensland Council of Social Service (QCOSS) welcomes the opportunity to provide a submission to inform the Select Committee on Electricity Prices. QCOSS is the peak body for over 500 welfare and community sector organisations in Queensland. For over 50 years QCOSS has worked to promote social justice and exists to provide a voice for Queenslanders affected by poverty and inequality. We act as a State-wide Council that leads on issues of significance to the social, community and health sectors. We work for a Fair Queensland and develop and advocate socially, economically and environmentally responsible public policy and action by community, government and business.

QCOSS has been funded by the Queensland Department of Energy and Water Supply for an energy consumer advocacy project in Queensland. The purpose of this project is to advocate on behalf of Queensland consumers and particularly vulnerable and low income households in relation to energy.

QCOSS welcomes the opportunity to provide a submission to inform the Select Committee on Electricity Prices. QCOSS is very concerned about the impact of rising electricity prices on households, particularly those on low incomes as they typically spend a higher proportion of their income on electricity and tend to experience slower income growth over time. Statistics suggest that low-income consumers spend 3.3 per cent of their income on energy costs, compared to 2.3 per cent spent by other household groups<sup>1</sup>. However, this figure does not acknowledge the impact of consumers at the extreme end of the income spectrum. The graph below (which is based on Sydney households) provides greater insight into the spread of income proportions consumers are paying to meet the cost of their energy supply, and shows that some households are paying 14 per cent of their income on energy bills<sup>2</sup>. 10 per cent is the level at which consumers are considered to be in fuel poverty.

**Figure 1.4 Annual spending on energy as a share of disposable household income — Sydney and surrounding regions, 2012/13**



<sup>1</sup> ABS, Weekly Equivalised Expenditure by Economic Resource, 2009-10.

<sup>2</sup> IPART, Changes in regulated electricity retail prices from 1 July 2012, Electricity – Draft Report, April 2012.

QCOSS commends the focus in the Terms of Reference on identifying opportunities to assist low income and vulnerable consumers with electricity costs. QCOSS recommends the Select Committee's investigations acknowledge that low income consumers are not a homogenous group, and consideration must be given to the different drivers, needs and consumption patterns associated with different household types. Many low-income consumers are relatively small users of electricity, because they do not have the high-usage electrical equipment that other households may have, such as swimming pool pumps and large air conditioning systems. However, some low-income households have very high consumption for reasons outside of their control, such as poor quality housing and appliances, household size and composition, or medical conditions that require constant or additional energy use. Families who rent are particularly disadvantaged in terms of their inability to improve the energy efficiency of their built environment (i.e. installing insulation), upgrade their fixed appliances (i.e. hot water systems) or switch to cheaper off-peak tariff connections. These households may have limited capacity to reduce their energy consumption or shift their time of use, and could be unable to respond to cost-reflective pricing mechanisms.

QCOSS welcomes Select Committee's investigation into the causes of electricity price increases and the impact on households. An important aspect of this is the adequacy of the existing public safety net, in terms of both income support and concession arrangements across Commonwealth and state governments. QCOSS would support a coordinated national approach to exploring whether the public safety net provides adequate support to low income consumers across Australia. Some consumers are faced with inequitable outcomes based on their geography under the current arrangements. For example, regional customers in many states pay more for electricity than metropolitan customers, however all customers in Queensland benefit from access to the same prices due to the Queensland Government's Uniform Tariff Policy. On the other hand, Health Care Card Holders in Queensland do not receive the same concessions as they do in most other Australian jurisdictions. While QCOSS recognises the need for some differences between jurisdictions for various reasons, we believe consumers in all states would benefit from a coordinated national discussion around the best approaches for improving the public safety net for all consumers. We believe this discussion should take place alongside any further energy market reforms.

QCOSS is supportive of efforts to reduce electricity prices by addressing the regulatory and structural issues related to network infrastructure. As such, QCOSS has welcomed the Queensland Government's establishment of an Independent Review Panel to investigate the impact of Queensland's electricity network on prices and provide solutions for a more secure and cost-effective network. This review will feed into an Interdepartmental Committee (IDC) on Electricity Sector Reform, which is considering the drivers of electricity prices in terms of energy supply, pricing issues and retail competition<sup>3</sup>. We hope the outcomes of these review processes will be valuable in addressing some of the issues raised in the Select Committee's Terms of Reference.

In the context of rising electricity prices and increased pressure on households, QCOSS is supportive of any measures to improve the consumer protection framework. While QCOSS supports the National Energy Customer Framework (NECF) being implemented at a state level, we believe it is important to acknowledge that any consumer protection framework will require ongoing enhancements over time as new technologies and pricing arrangements are introduced.

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<sup>3</sup> IDC Terms of Reference. Available at: [www.deedi.qld.gov.au/documents/energy/IDC-terms-of-reference.pdf](http://www.deedi.qld.gov.au/documents/energy/IDC-terms-of-reference.pdf)

QCOSS is strongly supportive of activities to establish a national energy advocacy body. The introduction of nationally consistent frameworks has enhanced the need for greater coordination of consumer advocacy across jurisdictions<sup>4</sup>. However, ongoing funding for state-specific advocacy remains important as critical elements of energy policy continue to be state and territory based, including retail energy pricing, concessions and community service obligations, reliability, and safety standards. Additionally, many of the existing 'diffuse' consumer advocacy groups have close links with community-based organisations which can assist in understanding the flow-on impact of electricity issues on other policy areas, such as housing, employment, health, environment, social inclusion and broader cost-of-living concerns. As such, there is a need for national advocacy to be supported by continued consumer advocacy at a jurisdictional level.

In summary, QCOSS would like to thank the Select Committee on Electricity Prices for the opportunity to provide these comments. QCOSS is encouraged by the range of consultative processes focused on addressing electricity prices, both at the state and national level. QCOSS encourages the Select Committee on Electricity Prices to refer to the responses and outcomes associated with other reviews, including the Commonwealth Energy White Paper, the AEMC Power of Choice Review, the AEMC Economic Regulation of Network Service Providers, the Productivity Commission inquiry into electricity network regulation, and the National Energy Savings Initiative. QCOSS looks forward to viewing the outcomes of the Senate Inquiry into Electricity Prices and continuing to represent the interests of Queensland consumers in all energy related matters.

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<sup>4</sup> Gordon Renouf and Polly Porteous, Making Energy Markets Work for Consumers: The Role of Consumer Advocacy, 2011. Available at: [www.advocacypanel.com.au/documents/AP396MakingEnergyMarketsWorkJune2011.pdf](http://www.advocacypanel.com.au/documents/AP396MakingEnergyMarketsWorkJune2011.pdf)