

**WACOSS Submission to
Office of Energy**

Energy2031
**Strategic Energy Initiative
Directions Paper**

May 2011



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

**Contact:
Irina Cattalini
CEO
WACOSS
2 Delhi St
West Perth WA 6005**

Table of Contents

Introduction.....	3
Executive Summary.....	4
Consumer Participation, Representation and Advocacy.....	5
Theme 1: Security of energy supplies.....	6
Energy supply diversification strategy.....	6
Gas security strategy.....	7
Transport energy security strategy.....	8
Theme 2: Ensuring efficient provision and utilisation of energy infrastructure.....	10
Smart grid strategy.....	10
Theme 3: Improving the energy efficiency of the Western Australian economy.....	12
State energy efficiency strategy.....	13
Theme 4: Maintaining continuity of downstream energy supply.....	15
State energy disruption management strategy.....	15
Theme 5: Ensuing effective and efficient downstream energy markets.....	16
Competitive energy and market development strategy.....	16
Theme 6: Ensuring universal access to essential energy supplies.....	18
Affordable energy strategy.....	18
Concessions and programs.....	19
Energy affordability.....	20
Conclusion.....	22

Introduction

The Western Australian Council of Social Service Incorporated (WACOSS or The Council) is the peak body of the community services sector across Western Australia. Since 1956, WACOSS has been developing and strengthening the non-government community services sector's capacity to assist all Western Australians. With over 350 members, WACOSS has strong relationships with the community services sector and seeks to represent their interests, and those of the disadvantaged individuals and families they assist at a service level. Given this relationship, WACOSS is in a unique position to comment on issues in our society that socially impact upon disadvantaged members of the community.

The Council is respected within both government and non-government arenas as being an authoritative voice for consumers with regard to energy market reform in Western Australia. The Council has developed a strong network with utility policy workers across Australia, as a part of the National Energy Consumers Roundtable, which provides us with information and expert opinion on these issues. WACOSS has undertaken work in the area of essential services policy for a number of years. The Consumer Essential Program, which began as the Consumer Utilities Project in January 2005, works with consumers and representative organisations to achieve better outcomes in the provision of essential services such as energy and water.

In identifying the needs of consumers, WACOSS has direct access to the issues of disadvantaged consumers who are living on low incomes through ongoing working relationships with representatives from the Emergency Relief sector, Unions, Tenants Advocates, Financial Counsellors and Community Legal Centres. These agencies provide WACOSS with policy information and direction in relation to our work and look to The Council to represent the interests of their clients with regard to utility issues. WACOSS has adopted a central role in advocating in regards to essential service provision in Western Australia due to the level and severity of the utility issues being raised by community agencies and the absence of any other resourced body in Western Australia representing these consumer issues.

WACOSS is pleased to respond to the Office of Energy Strategic Energy Initiative – *Energy 2031*.

Executive Summary

The Strategic Energy Initiative (SEI) is a fundamentally important document for the future of Western Australia; socially, environmentally and economically. Full consideration of these three elements needs to be employed, with an appropriate and equitable weighting given to each.

The Council is encouraged that the Directions Paper has given consideration to and the opportunity for comment on the affordability of energy to low income households. WACOSS believes investigation into alternative tariff and concession structures (in the interest of ensuring the provision of an affordable supply of non-discretionary energy to WA households) is a positive step towards further recognition and understanding of energy as an essential service within our society, “except in rare and exceptional circumstances, a regular connection to electricity supply is not discretionary or optional. In most instances there is no alternative to electricity. A reliable, safe, affordable supply of electricity is now a matter of right rather than privilege and access must be guaranteed as far as reasonably possible.”¹

SEI objectives relating to both tariffs and concessions should be tabled in consideration of future findings of the Tariff and Concessions Framework Review (TCFR) and in line with the principle that no low income or financially vulnerable consumer be left worse off. In addition, need exists for investigation into the best means of reforming the currently dispersed and ad hoc concessions administration system.

The Council is encouraged that non-stationary fuel has been included in the Directions Paper. However, the lack of actual short and long term goals to address issues of non-stationary energy security, affordability and access is of concern.

WACOSS is concerned that climate change has not taken precedent within this document. The future of energy in Western Australia will be dictated by the inevitable national and international binding agreements on greenhouse gas emissions (GHGE) and the global trend of transitioning to low carbon economies. Western Australia's economy and energy sector is greenhouse gas intensive and any future directions will need to ensure that despite additional costs associated with a pricing mechanism on GHGE, energy will need to remain affordable and accessible to low income households. In addition, it is vulnerable West Australians who will be impacted most as a result of climate change and therefore climate change policies need reflect the adaptation needs of this group.

Energy is central to the livelihood of all Western Australians. It transcends all aspects of life and intersects across multiple Government areas of importance, such as social welfare, housing, health, employment, transport, urban planning and agriculture. It is essential that energy policy is not developed in a silo and cross departmental communication and policy development occurs at all levels to ensure all Western Australians have access to safe, affordable and reliable energy.

¹ The National Consumers Roundtable on Energy. Charter of Principles for Energy Supply. 2006

Consumer Participation, Representation and Advocacy

The Council believes that comprehensive consumer participation and representation is essential in the development and formation of policy, especially when it involves an essential service, such as energy. The Council strongly encourages support for consumer participation and representation across all six themes identified in the Directions Paper. The specialised technical aspects associated with addressing some issues within the Direction Paper (particularly within Themes 1, 2 and 5) may at times require additional assistance to consumer representative organisations. Such assistance would ensure effective participation on behalf of consumers in future energy market processes by providing the means for increased research capacity or the ability to engage with consultancy.

Theme 1

Diversification of energy supply and addressing non-stationary fuel security can have profound impacts on communities. Significant consultation and education processes are required to ensure communities and individuals are not adversely impacted upon as a result of infrastructure development or Government legislation.

Theme 2

Smart grid technology will profoundly change the way Western Australians use energy and interact with energy retailers. Whilst there are many perceived benefits of these technologies, such as Smart Meters, without careful consultation, evaluation and review, the potential negative impacts on the individual is significant, detracting from the potential benefits to the whole system.

Theme 3

Energy efficiency can have a significant impact on reducing energy consumption in Western Australia. However, unlike reducing water use, reducing energy use is difficult to comprehend. For energy efficiency initiatives to be successful, they will need to be accompanied by innovative education and information sharing programs.

Theme 5

The maturing of the energy market can have the potential to confuse consumers and therefore not deliver the benefits through increased choice, which is its potential advantage. Provision for consumer advocacy is an essential component of the development and maturing of an energy market.

Theme 6

Tariff structures and concession programs can be complex and currently lack effective targeting of those most in need. To ensure tariffs and concessions are successful in achieving their purpose, consumer participation, representation and advocacy must be central to any current or future framework.

Theme 1: Security of energy supplies

Energy supply diversification strategy

The diversification of Western Australia's energy supply provides a number of challenges and opportunities. WACOSS urges that with any diversification, the welfare of low income households is a top priority, with specific consideration given to affordable and equitable access to energy that does not impact on an individuals' health or the environment.

The diversification of Western Australia's energy supply needs to be done in consideration of the inevitable national and international global agreements on climate change and how this will impact on the cost of energy in future, ensuring access to affordable and secure energy to low income households.

Below is a response to proposed future planning initiatives for the energy supply diversification strategy, in the short term.

3. Develop training courses in State institutions to provide skilled workers in low-emission energy technologies

The training courses mentioned should not be exclusively for 'skilled workers'. There is an opportunity to provide training and skills development for people in low income households, such as has been done through WACOSS's Climate Change Readiness for Community Services project, which took job seekers and trained and employed them to become energy and greenhouse gas auditors.

9. Develop edge-of-grid solutions to resolve issues associated with centralised supply, network support, and the cost of replacing life-expired infrastructure.

The Council believes that edge-of-grid solutions are an essential development and encourage renewable edge-of-grid generation solutions as a priority over non-renewable generation. Edge-of-grid generation plays an important role in climate change adaptation for the Western Australian community. As extreme weather events increase in occurrence and severity, as a result of climate change, there is increased pressure on the electricity grid to continue to deliver reliable and affordable energy, even through extreme heat waves. Renewable edge-of-grid solutions are part of this solution through lessening the peak load pressures on principle electricity generators and avoid or defer upgrades and network extensions.

Edge-of-grid energy generation is an essential tool in disaster preparedness. The elevated occurrence of extreme weather patterns means there is an increased risk of electricity generation and transmission infrastructure being damaged as a result of bush fires, floods or extreme weather events; resulting in large scale power outages. Edge-of-grid generation capacity will lessen the impact grid outages during extreme weather events by creating islands of security.

Any edge-of-grid generation solutions need to be developed in conjunction with extensive local community and key stakeholder communication, consultation and engagement. Local communities will have real and perceived concerns around the visual, health, land value and environmental impacts of any electricity generation near where they live.

11. Facilitate community-based energy cooperatives to meet local demand

Community-based energy production provides numerous advantages to local communities such as meeting local energy demand, income generation, lower energy costs and ensuring reliable energy. However, cooperatives are not the only model to deliver this service and it would be remiss to encourage only one model of community-based energy production; it is important for government not to 'pick winners'. Other models include community charities, development trusts and a part-ownership/share system with the private sector model.

To achieve success, market incentives and barriers to entry need to be addressed. This includes current market rules that are overly complex and would result in information asymmetry between potential developers and community members/organisations. Whilst many of these community-based energy models would be based in rural and remote areas due to the mode of energy production, wind or even biomass, models of delivery should be considered for urban settings through combined heat and power systems and tri-generation.

Gas security strategy

The *Energy 2031* Discussions Paper suggests a number of short-term goals which will provide incentives and encourage exploration and development of unconventional gas supplies. The Council is concerned about the health and social impacts of coal seam gas and gas shale extraction, both unconventional gas supplies. A recent briefing paper from the National Toxics Network (NTN) has requested a moratorium on all chemicals used in the drilling and fracturing of coal seam gas and gas shale extraction until a health and environmental needs assessment has been conducted, as there are significant risks of these chemicals leaking into aquifers and contaminating local water supplies. Of the 23 most used chemical, only 2 have been assessed by the NTN and these assessments were not for the processes of drilling or fracturing. New York State in the US has banned fracturing process, while Pittsburgh, in the US, and France are both considering banning fracturing².

The risk to community and environmental health posed by the extraction of unconventional gas reserves is highlighted in the Western Australian Economics and Industry Standing Committee's *Inquiry into Domestic Gas Prices, Report No. 6 in the 38th Parliament*, tabled in the Legislative Assembly on 24 March 2011. In relation to the environmental and health concerns relating to unconventional gas extraction, Finding 34 of the report concludes:

*While tight and shale gas have fundamentally altered the supply and demand balance in the U.S., the production process has generated environmental concerns regarding water use and treatment methods.*³

In addition to the serious contamination risk to essential residential water supplies, WACOSS has particular concerns in relation to the level of water use required for shale gas extraction. The *Inquiry into Domestic Gas Prices* Report cites an estimated water consumption of between 11 to 23 million litres of water per well.⁴ Given strong forecasts for a significant water supply-demand gap in WA over at least the next 50 years,⁵ WACOSS asserts that the implications of this water intensive industry on domestic water supply and price must be investigated thoroughly.

² Lloyd-Smith, M and R. Senjen 2011. Briefing Paper: *Hydraulic Fracturing in Coal Seam Gas Mining: The Risks to Our Health, Communities, Environment and Climate*. NSW: National Toxics Network.

³ Economics and Industry Standing Committee. 2011. *Inquiry into Domestic Gas Prices, Report No. 6 in the 38th Parliament*, Legislative Assembly, Parliament of Western Australia, p. 174

⁴ *Ibid*, p. 168

⁵ Water Corporation, *Water Forever: towards climate resilience*, October 2009, p.7

Before encouraging and providing incentives for the exploration and development of unconventional gas supplies, The Council encourages further research and review into the potential negative impacts on health and the environment to ensure domestic water supply and the community's health is not compromised.

Transport energy security strategy

The Council is encouraged that transport energy security has been included in the *Energy2031 Discussion Paper*. Also, the recognition of urban planning as contributing to energy security, affordable energy and a reduction in greenhouse gas emissions (GHGE) through increased car use is an important inclusion.

However, the *Energy2031 Discussion Paper* is lacking in detail on how to address issues of transport energy security beyond providing incentives and encouraging investment in biofuels and encouraging people to use public transport. Western Australia's economy is highly dependent on petrol and at risk of price fluctuations resulting in reduced supplies as conventional oil supply reaches its peak production which is suggested to have occurred in 2006 and will peak for unconventional oil in 2035.⁶ Furthermore, the CSRIO predicts that petrol will reach \$8 per litre by 2018⁷. The level of investment required and the prolonged timeframes for infrastructure to be completed means that it is essential for public and active transport initiatives, urban design planning, alternative fuels and efficient vehicles regulations are brought forward.

The Office of Energy needs to take a leadership role in coordinating a strategic response across government departments to address transport energy security. It is essential that the Office of Energy, Department of Transport, Health Department and Department of Planning have a coordinated response to address the following priorities:

- Investment in public transport, including extending the heavy rail network and development of a light rail network and/or a Rapid Bus Transit network;
- Investment in an active transport network that supports and encourages safe and enjoyable use of bicycles, including overcoming issues of no bicycles on trains during peak hour or on Transperth buses; and
- Increasing urban infill beyond the current State Government target of 47% by 2031, including adequate provision of social housing.

Below is a response to proposed future planning initiatives for the transport energy security strategy, in the short term.

2. *b) amending the vehicle regulatory and licensing framework to provide incentives for electric vehicle use*

Whilst regulatory and licensing incentives for electric vehicles is a good initiative, it should be extended to other energy efficient, low emission private vehicles, such as hybrids and small cars. However, consideration needs to be taken if increasing stamp duty and registration costs for high emission, inefficient cars as low income households will be unfairly disadvantaged as they are less able to purchase new efficient cars and often own older, less efficient cars.

⁶ IEA. *World Energy Outlook 2010*. International Energy Agency

⁷ CSIRO. 2008. *Fuel for Thought. The Future of Transport Fuel: Challenges and Opportunities*. Campbell, ACT: CSIRO.

5. a) *support for increased use of alternative fuels (such as biofuels and gaseous fuels) for heavy, long-range transport through vehicle registration incentives and facilitation of approvals for refuelling facilities*

Support for biofuels should only be considered if the organic input does not impact on current food production and supply, as seen with corn biofuel in the US, which has led to increases in food prices there and globally⁸. There is a concern that staple food crops will be redirected to biofuels, which will result in an increase in food prices. The Department of Agriculture needs to be involved in the development of policies to address these issues.

⁸ Eide, A. 2008. *The Right to Food and the Impact of Liquid Biofuels (Agrofuels)*. Rome: Food and Agriculture Organisation of the United Nations.

Theme 2: Ensuring efficient provision and utilisation of energy infrastructure

Smart grid strategy

The National Smart Metering Program (NSMP) is due to conclude its current Work Plan in June 2012. Subsequently, the Ministerial Council on Energy (MCE) will consider further deployment timelines in all jurisdictions (based on the findings of pilots and trials conducted as part of the current Work Plan).⁹ Given the increasing proximity of this date, the State Government must undertake adequate investigation into the viability of smart grid and smart metering technologies within the Western Australian market in order to make an informed decision in the interest of WA consumers. WACOSS believes the following issues must be considered prior to a decision being made on a smart meter roll out in WA.

Time of use pricing structure

One of the key reasons for the use of Smart Meters is the perceived benefits of time of use (TOU) pricing. The TOU pricing structure is designed to encourage customers to shift their electricity usage to off peak times, therefore reducing demand for electricity during peak periods as well as reducing electricity costs for customers.

However, this pricing structure disadvantages households with inelastic electricity use. A considerably high number of low income and vulnerable customers are at home during the day due to disability, unemployment, retirement, care of young children or relatives, and are therefore unable to take advantage of TOU pricing to offset price increases.

In addition, low income and vulnerable customers are also more likely to have thermally inefficient housing and inefficient appliances, contributing to increased electricity costs. Whilst low income households tend to have lower energy consumption, electricity costs as a proportion of total income is the high.

It is essential that any introduction of TOU tariffs in WA be accompanied by a concession framework that is based on significant evidence and subject to periodic review. Unless there are suitable policies and protections in place to shelter low income and vulnerable customers from the cost impacts of TOU pricing and increased fixed charges, the introduction of smart meters will cause some customers to be significantly worse off.

Consumer protection and hardship

There is a possibility that smart meter usage will raise additional consumer protection concerns. For example, Smart Meter technologies may include the capacity for retailers to remotely disconnect households. This would remove obstacles and safety nets to disconnection for vulnerable consumers that often result in alternative solutions to disconnection such as payment arrangements or grant schemes such as HUGS and HEP. Further consumer protections will be required and will need to be instituted before any rollout occurs. Consideration and modification to current standards will be required in the following areas:

- Hardship policies and other consumer protection and assistance programs (to ensure existing protections are not eroded);
- New mechanisms for identifying households facing or experiencing financial hardship (prior to utilising remote disconnection functionalities);

⁹ National Stakeholder Steering Committee. 2008. *NSMP Work Plan – Executive Summary*, retrieved 2 May 2011, <<http://share.aemo.com.au/smartmetering/Document%20library/Project%20documentation/NSMP%20Work%20Plan%20v1.0%20-%2028%20Nov%202008.pdf>>

- The provision of information to households identified as possibly experiencing financial hardship in order to address this hardship at the earliest possible stage (including potential utilisation of in-home Smart Metering communication functionalities);
- Education programs introducing smart meters and innovative tariff structures;
- The ability for consumers to shift between tariff products easily to ensure they are not financially worse off;
- The processes to ensure new tariff structures are passed from network businesses to retailers then to the consumer; and
- Sufficient notice of critical peak events to provide opportunities for a household to respond to the pricing signals of critical peak pricing.

WACOSS strongly encourages any development and subsequent roll-out and evaluation of smart meters and other smart grid technologies is done in partnership with consumer representatives.

Ensuring Benefits Flow on to Consumers

Ensuring that the benefits of Intelligent Grid technologies flow on to consumers is essential. Consumer advocates are concerned that a situation may arise in which distributors (and retailers) seek to pass on the costs of significant capital expenditure to consumers as those costs are incurred, while claiming that they are not yet realising benefits in terms of reduced capital or operating expenditure.

There is clear potential for bills to increase as a result of the pass through of these costs in conjunction with TOU pricing. And it is unclear and uncertain whether (and when) cost savings made by network companies (through remote metering function capacity) would be passed on to consumers in lower network prices.

Theme 3: Improving the energy efficiency of the Western Australian economy

Improving energy efficiency in all areas of the Western Australian economy is extremely important. Business and industry need to make a concerted effort as significant energy efficiency gains are achievable within these sectors. Industry accounts for almost half of Australia's energy end use and two thirds of Australia's stationary energy.¹⁰

WACOSS is encouraged that the State government has recognised energy efficiency as 'the most cost-effective option for reducing consumption and the associated financial and environmental costs'. WACOSS is supportive of the Switch to the Future campaign, TravelSmart program and initiatives and incentives to retailers to encourage energy efficiency for consumers.

It is essential that improving energy efficiency in the Western Australian economy must include the energy efficiency of low income households. Whilst the improvement of energy efficiency in low income households won't achieve the level of efficiency gains and greenhouse gas emission reductions equivalent to that within energy intensive industry, there will be efficiency gains during peak usage and positive social outcomes through reduced energy bills and improved health outcomes in low income households.

However, there is a concern that much of the focus of the Strategic Energy Initiative is on 'after the fact' responses; WACOSS encourages responses that reduce high residential energy use before it happens. As highlighted in the Strategic Directions document, the growth in energy use in the residential area can be attributed to increases in the uptake of reverse-cycle air-conditioning systems, high energy use digital technologies such as televisions and subsequent energy use resulting from stand-by power.

But it is not just the uptake of energy intensive technologies that is contributing to high energy use in the residential sector; it is the design and development of new housing. House size grew from 188.72m² in 1993-94 to 245.3m² in 2008-09, despite a reduction in people per household from 2.7 to 2.5¹¹, in the same period. This has occurred whilst the average size of house blocks has decreased, resulting in reduced air flow between houses and therefore a build-up of heat. In addition to this, houses are being built with small, if any, eaves, which results in housing receiving direct sunlight. These and other developments result in a greater reliance on energy intensive cooling and heating systems.

It is the outer suburban fringes, where the majority of development of these energy intensive houses occurs, where residents are most price sensitive to increases in energy costs, including increases in petrol prices.¹²

The energy efficiency of social housing needs to be addressed with a sense of urgency. Much of the social housing stock in Western Australia is of poor quality. This housing stock needs to be retrofitted with energy efficient technology and materials, such as insulation, solar-gas boosted hot water systems, efficient lighting and weather proofing. Therefore, it is essential that the Office of Energy work with the Department of Planning to address building and land development codes to have higher minimum standards when it comes to housing design. All stakeholders in the residential sector, including property developers, planners and builders, need to be brought into the dialogue of energy efficient

¹⁰ COAG. 2009. National Strategy on Energy Efficiency. Canberra, COAG.

¹¹ ABS, 2010. *Houses in South Australia: The Cost of Building a Dream*. Canberra, ABS.

¹² Dobson, J & Sipe, N. 2006. Suburban shocks: Assessing locational vulnerability to rising household fuel and mortgage interest costs, paper presented to the 29th Australasian Transport Research Forum, Gold Coast, Queensland, 27-29 September, 2006.

housing. It is more cost effective to build houses that are designed for low energy use than to 'retrofit' them at a later stage.

State energy efficiency strategy

Below is a response to proposed future planning initiatives for the State energy efficiency strategy, in the short term.

6. Require energy retailers to reflect the real cost of supply in customers' power bills with subsidies, rebates and concessions separately identified.

The Council welcomes the notion of increasing the provision of information to consumers and identifies that as WA moves toward more complex future energy markets, information and education aimed at expanding consumer energy literacy will be crucial in fostering a fair and functional residential energy market.

However, the complexity involved in deconstructing an accurate real cost of supply for individual customer bills would be both significant and numerous. As the cost of supplying energy varies according to locational variances, this would require investigation into the cost of each step in the supply chain for individual regions or communities within the state, likely to require significant financial investment. Even if this expense could be justified, it is not clear that the individual cost of each step in the supply chain for each customer can necessarily be quantified with accuracy. Furthermore, the complexity of concessions and subsidies across the market (for example, Community Service Obligation payments and representation of the uniform tariff policy subsidised by the Tariff Equalisation Fund) has the potential to be considerably confusing for customers. In addition, the real cost of supplying energy is likely to differ at different times during the day, depending on whether energy is consumed during peak or off-peak times, further complicating the process.

The Council agrees that the proliferation of information relating to the energy supply chain, and the explanation of the proportional cost of each step, is of particular value to consumers and would result in improved understandings of the real costs associated in the supply of gas and electricity to residential households. WACOSS however suggests that the most efficient and effective means of disseminating this kind of information amongst the community be investigated and included as part of a broader public education strategy.

7. Require all new dwelling units and all new commercial or industrial premises to be individually metered for electricity and gas.

WACOSS strongly supports a move to require all new dwelling units to be individually metered. Ensuring the receipt of accurate and reliable energy bills by all consumers directly from their energy retailer (as opposed to a third party such as a strata management company or landlord) is not only fair and reasonable but will allow consumers to best manage their energy costs, as well as be provided with accurate price signals in order to promote energy efficiency.

There is a risk that costs of the installation of the required infrastructure for individual billing on group dwellings will be passed onto low income households, resulting in financial hardship. Concessions need to be considered and readily available for this group as they would not previously been eligible to concessions and may suffer financial hardship during the transition from group to individual billing.

9. *Expand the State Government's 'Travel Smart' program to further promote the uptake of public transport and other transport demand management alternatives, such as walking and cycling*

WACOSS supports the expansion of the State Government's 'Travel Smart' program as it is an excellent initiative. However, there are other significant barriers to people accessing public transport in Perth and these must be addressed in conjunction with behaviour change programs. It is essential that the Office of Energy work with the Department of Transport to address the barriers, which include but not limited to:

- Poor mode to mode integration: often bus and train timetabling are not coordinated, resulting in long wait times and negative experiences, ultimately discouraging people away from public transport;
- Access to multiple journey trip information through the Transperth website or other means needs to be improved and made accessible to those who may not have ready access to the internet, such as older people;
- The availability of buses and trains, especially after peak hours and on weekends and public holidays is limited and impacts on those who are shift workers;
- Lack of penetration of public transport to outer suburbs means that those living in these areas, often low income families, remain reliant on private car use and are subject to increases in oil prices;
- Lack of penetration between suburbs. Travelling to Perth and back is accommodated but travelling between suburbs is difficult resulting in negative experiences and discouraging people away from public transport; and
- The cost of \$10 to purchase a Smart Card without any travel credit is a significant cost to those on Federal Government pensions and Newstart.

Theme 4: Maintaining continuity of downstream energy supply

State energy disruption management strategy

Below is a response to proposed future planning initiatives for the State energy disruption management strategy, in the short term.

- 4. Develop effective mechanisms for identifying people in home-based life support equipment and evacuating them to medical facilities or providing them with adequately sized uninterruptable power supplies in case of power disruption.*

For consumers requiring home-based life support equipment the essentiality of electricity is such that a reliable, uninterrupted supply is critical to the very maintenance of life. The importance of keeping this group of consumers connected is also identified through the institution of the means tested Life Support Equipment Electricity Subsidy, beginning 1 January 2005. As these households are already registered as operating life support equipment by means of receiving the Life Support Equipment Electricity Subsidy, they should be automatically incorporated in any home-based life support equipment household register. Once mechanisms are established to ensure that all those using home-based life support equipment are placed on a register automatically, all households on the register should be provided with concessions information in order to ensure all those eligible for the Life Support Equipment Electricity Subsidy are receiving it.

Theme 5: Ensuing effective and efficient downstream energy markets

Competition of energy and energy markets is an important area of discussion, which requires extensive investigation and review, including taking into consideration current review of competition in the National Energy Market. Any competition that is introduced into the market needs to ensure that energy remains affordable, reliable and safe.

Competitive energy and market development strategy

Below is a response to proposed future planning initiatives for the competitive energy and market development strategy, in the short term.

5. Increase the transparency of the LPG market through incorporation of bottled LPG into the FuelWatch program.

WACOSS welcomes the incorporation of bottled LPG into the FuelWatch program. This will allow capable consumers in metropolitan or regional centres to compare prices and make informed choices in relation to the purchase of bottled LPG. However, WACOSS is concerned that incorporation of bottled LPG into the FuelWatch program will not address the issue of gas affordability within rural and remote communities that do not have access to reticulated gas or multiple retail suppliers of bottled LPG and are thus often subject to the unregulated monopoly pricing of the individual retailer in their area. WACOSS asserts that greater action needs to be taken to address the inflation of bottled LPG prices across the entirety of the state. In doing so, WACOSS proposes the following approaches should be considered:

- That (wherever possible) new metropolitan Department of Housing properties are constructed with connections to both a gas and electricity supply and that the State Government upgrade (wherever possible) Department of Housing properties to reticulated gas;
- That the Government introduces an effective and targeted concessions scheme aimed at alleviating the cost of bottled LPG for low-income households;
- Broaden scope of Energy Ombudsman jurisdiction to encompass bottled LPG consumers;
- Investigate the most appropriate way of regulating LPG through a Code of Conduct;
- That the Government, in collaboration with consumer and welfare advocates, the WA Energy Ombudsman and LPG industry develop regulation to govern the relationship between distributors, retailers and consumers;
- That an investigation be undertaken in order to compare the affordability of an all-electric energy efficient household as opposed to a household consuming both electricity and bottled LPG.

7. Consider providing for regional development and social equity objectives to be funded through transparent subsidies directly to customers or through retailers and infrastructure providers (for example, compensation for provision of concessions and rebates), and decouple such assistance from regulated tariffs.

The Council supports the retention of State Wide uniform tariffs, to ensure the equitable provision of energy to rural and remote areas and the viability of country towns, as increased energy tariffs will adversely impact on local businesses and cost of living pressures.

9. *Following the reform of the residential electricity tariff and concession structure, consider providing for the independent determination of regulated electricity tariff prices points by the Economic Regulation Authority.*

Considering the spectrum of social and economic implications arising from changes to the electricity tariff price, it is appropriate that control of electricity tariff price points remains with the State Government. As the state's independent economic regulator, the ERA's primary function is the maintenance of a competitive, efficient and fair commercial environment. It is not appropriate that the non-economic considerations of tariff pricing be left to the discretion of the ERA. It is however preferable that the ERA provide independent review of the electricity tariff price to Government in order to inform the decision making process.

Theme 6: Ensuring universal access to essential energy supplies

WACOSS is encouraged and supportive of the Office of Energy's recognition of the need to ensure the all State-funded social housing is built to the highest practical standard of energy efficiency. It is also encouraging that the need to retrospectively retrofit existing social-housing to improve energy efficiency is addressed in the Direction Paper.

Affordable energy strategy

Below is a response to proposed future planning initiatives for the affordable energy strategy, in the short term.

- 1. Develop and introduce a residential electricity retail tariff structure that is non-regressive, equitable and efficient, and which provides appropriate price signals to customers concerning the cost of their decisions on power use, particularly to customers using large amounts of power and customers using peak-period power.*

WACOSS supports tariff structures that take into consideration households who are experiencing payment difficulties or financial hardship in relation to electricity bills and provides mechanisms that encourage efficient use of electricity. However, this statement does not take into consideration the fact that many high electricity use customers are often low income households or customers who cannot shift their use patterns due to being at home during peak-period, such as the unemployed, elderly or those with disabilities. Others are households with unavoidably high levels of consumption.

Decisions relating to amending tariff structures is based on the outcomes of the current Tariff and Concessions Framework Review and undertaken in close consultation with consumer and consumer representatives.

- 5. Review all ancillary service fees and charges imposed by energy retailers and require retailers to eliminate or amend those which result in a systemic discrimination against low-income customers*

WACOSS agrees that the elimination of fees and charges which result in systematic discrimination against low income customers is a positive step in ensuring universal access to essential energy services for vulnerable consumers. Where capacity to pay is the underlying issue, the imposition of auxiliary fees and charges (particularly those relating to debt recovery and disconnection) is not an effective means of credit management, but rather exposes vulnerable households to greater financial hardship and has the effect of inducing a negative debt spiral (or poverty trap) scenario.

The futility of applying ancillary fees and charges in relation to customers experiencing financial hardship is currently recognised within Part 6.6 of the Code of Conduct for the Supply of Electricity to Small Use Consumers (the Code), which states in relation to assistance available to residential customers experiencing hardship:

- (1) A retailer must give reasonable consideration to a request by a customer, or a relevant representative organisation, for a reduction of the customer's fees, charges or debt.*

Whilst Part 6.10(2) of the Code states that retailer hardship policies must:

...(d) include guidelines-

- (iii) for the suspension of disconnection and debt recovery procedures;*

- (iv) on the reduction and/or waiver of fees, charges and debt; and
- (v) on the recovery of debt

The Electricity Code Consultative Committee (ECCC) completed its second review of the Code in February 2010. As the Code is required to be reviewed at two yearly intervals, the next review can be expected to conclude in February 2012. WACOSS identifies that action to eliminate the systematic discrimination of customers experiencing hardship currently occurring through the imposition of ancillary fees and charges must be progressed as part of the ERA ECCC Code review process, in order to compel compliance by energy retailers.

Concessions and programs

In the context of a cumulative 50% electricity price increase since 1 April 2009, the current electricity residential tariff (A1 and A2) and concession structure has proved inadequate in providing an affordable level of essential energy to Western Australian homes. This concern, along with an increasing impetus to provide incentives for energy efficiency and a reduction in peak demand, has seen the establishment of a residential electricity Tariff and Concession Framework Review (TCFR).

This review is being led by the Office of Energy (OOE) in partnership with WACOSS and will include investigation into the merits of Inclining Block Tariff (IBT) and Time of Use (TOU) pricing. Any SEI objective relating to residential electricity tariff and concession reform should consider the findings of this review, as well as ensure that no vulnerable consumer is left worse off under an alternative tariff and/or concession framework.

Central to the effective implementation of any form of IBT or TOU structure in WA is a suitably investigated and appropriately targeted concessions framework. In addition to comments made in Theme 2 in relation to TOU pricing, households with high non-discretionary consumption, such as large families or people with medical requirements, will require specific protection under an IBT structure. In addition, a significantly increased commitment to programs aimed at improving dwelling energy efficiency for low-income households would be necessary in order to ensure those who do not have the capacity to reduce high consumption are not adversely affected.

It is also crucial that any IBT structure takes into account the influence of geographic location in calculating block thresholds. For example, the level of energy required for non-discretionary and average household consumption in the State's north will be significantly higher than for an equivalent household within the metropolitan area.

Furthermore, no cohesive policy framework or strategy exists in order to guide the formulation and administration of state concessions and rebates. Currently, concessions are managed and administered across several different government departments and the responsibility for accessing concessions and proving entitlement is placed solely upon the consumer. This process of self-identifying entitlement and applying for concessions in multiple locations is often onerous and difficult for consumers and can be further complicated by the existence of challenges to social participation such as physical and mental health status, lack of access to transport, old age, or language and communication skills. As referred to in recommendation 9 of the EAC final report, *Putting the Public First: Partnering with the Community and Business to Deliver Outcomes*, investigation into the potential for centralisation and automation of concessions administration across the state is required in order to address issues of inefficiency and effectiveness of targeting eligible recipients.

6. *Use transparent, publicly funded concessions to assist people who cannot afford to pay, including atypical users (for example, large families on low incomes) whose use profile may put their marginal use on a higher tariff rate.*

WACOSS supports concessions for people who cannot afford to pay their energy bills. However, WACOSS advocates for a more centralised approach to concessions, which would require coordination across Government departments. It is also essential that appropriate programs and systems are delivered in conjunction with concessions that support people to move away from this financial support.

9. *Target energy efficiency initiatives, especially towards customers who have difficulty paying their energy bills and/or who have higher than average use*

It is essential that any energy efficiency initiatives for customers who have difficulty paying their energy bills are delivered through community service organisations (CSOs). There are a number of advantages to CSOs delivery model. These include but are not limited to:

- CSO's have experience working with this client group and may have established relationships with them. This overcomes issues of trust and non-compliance;
- There are often a range of issues that result in an individual/household having difficulty paying their energy bills beyond financial reasons and CSOs are in a position to help address these issues; and
- Difficulty paying energy bills is often not the best means of identifying households who would benefit from energy efficiency initiatives as energy bills may get paid on time at the expense of other essential service and bills being paid late or not at all, such as water, phone, rent, food or petrol. CSO's are often in the best position to identify these households.

10. *Ensure that all State-funded social housing is designed and constructed to the highest practical standard of energy efficiency*

In addition to designing and constructing State-funded social housing to the highest practical standard of energy efficiency, there needs to be strong consideration to the location of State-funded social housing. This includes the proximity of permanent public transport, key services, such as schools and community facilities, other amenities including shopping centres and employment opportunities. Strategic location of State-funded social housing will reduce social isolation and the dependence on private car use and therefore petrol.

Energy affordability

13. *Regularly monitor the actual cost of providing energy services to customers covered by regulated retail tariffs and ensure this cost information is conveyed to customers.*

Please refer to point 6 in Theme 3.

WACOSS agrees that the proliferation of information relating to the energy supply chain, and the explanation of the proportional cost of each step, is of particular value to consumers and would result in improved understandings of the real costs associated in the supply of gas and electricity to residential households. WACOSS however suggests that the most efficient and effective means of disseminating this kind of information amongst the community be investigated and included as part of a broader public education strategy.

15. *Adopt the National Energy Customer Framework in Western Australia, subject to maintaining at least existing State standards of customer protection.*

The Council supports the adoption of the National Energy Customer Framework where it will improve the standards of the existing State regulations. However, it is essential that any State standards that are above those contained within the National Energy Customer Framework must remain as not to 'regress or lessen' current consumer protections.

16. *Progressively renovate all existing State-funded social housing to incorporate the highest practical standard of energy efficiency consistent with building design and economic efficiency.*

Renovating all existing State-funded social housing to be more energy efficient is strongly supported by WACOSS. However, any retrofitting must be accompanied with energy auditing, behaviour change and inefficient appliance replacement components. WACOSS also strongly encourages any energy efficiency retrofitting program to be expanded beyond State-funded social housing to other low income housing in the community service and private sectors.

Any energy efficiency program for low income housing must follow key principles to ensure equity and effectiveness. These include:

- Adequacy: Any program should have a goal of achieving an energy efficiency standard that is of a high level;
- Targeted: The demographic that would be targeted in such a program is often hard to engage. However, this should not exclude them from accessing the program and program systems need to adjust for this. The program would need to cast a 'wide-net' to ensure those eligible are not excluded; and
- Practical: Accessing any program should not be overly bureaucratic or challenging to access for potential clients.

It is essential that a number of key elements are followed to ensure the best outcome of any roll-out of this type of program.

- The roll-out of such a program is delivered through the community service sector, who have established relationships and experience working with the targeted tenants;
- An average of \$3,000 per home needs to be allocated for retrofitting and replacement of inefficient appliances;
- Behaviour change is a key element to the program; and
- Based on these key elements, conservative of estimates of energy savings per household is 33% or \$429 and 9.3 tonnes of greenhouse gas emissions.¹³

¹³ ABS. 2003–04 Household Expenditure Survey, Australia: Summary of Results (ABS cat. no. 6530.0 Reissue) - \$23.59/week average household expenditure, adjusted to 2008 levels. Canberra: ABS.

Conclusion

The Western Australian Council of Social Services has welcomed the opportunity to provide a submission to the Office of Energy's Strategic Energy Initiative Directions Paper, *Energy2031*.

WACOSS is available for further comment and questions regarding this submission.