

WACOSS Response to the LPG Affordability Inquiry



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Council of Social Service Inc

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a difference*

***WACOSS Response to the Inquiry into the
Affordability of Bottled Liquefied Petroleum
Gas (LPG) for Household Use in Western
Australia's Report to the Minister For Energy,
The Hon. Francis Logan MLA***

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INTRODUCTION

The Western Australian Council of Social Service Incorporated (WACOSS) is the peak body of the community service 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 around 250 members, WACOSS has strong relationships with the social 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 members of the community experiencing disadvantage.

WACOSS is respected within both government and non-government arenas as being an authoritative voice for consumers with regard to energy market, water policy and regulatory reform in Western Australia. WACOSS has developed a strong network with utility policy workers across Australia, which provides us with information and expert opinion on these issues.

In January 2005, WACOSS commenced the Consumer Utilities Project. Building upon the utility policy work WACOSS had undertaken over the previous four years, the Consumer Utilities Project works with consumers and representative organisations to achieve better outcomes in the provision of essential services.

WACOSS has direct access to the issues of disadvantaged consumers who are living on low incomes through our Consumer Reference Group, which includes representatives from the Emergency Relief sector, Unions, Financial Counsellors and Community Legal Centres. These agencies provide us with policy information and direction in relation to our work and look to us to represent the interests of their clients with regard to utility issues. We have taken on this role 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 issues.

WACOSS is pleased to provide a response to the *Inquiry into the Affordability of Bottled Liquefied Petroleum Gas (LPG) for Household Use in Western Australia's Report to the Minister For Energy, The Hon. Francis Logan MLA*, hereafter referred to as the *Inquiry's Report*. The recommendations made by the Inquiry within its Report have the potential to significantly impact on both consumers of bottled LPG and consumers of other energy sources, in a variety of ways. WACOSS believes that the extent to which some of these recommendations are successful in improving affordability and reducing the relative vulnerability of bottled LPG consumers will depend on an in-depth understanding of the extent and nature of essential service vulnerability in Western Australia.

EXECUTIVE SUMMARY

The water and energy services sector and markets in Western Australia are currently undergoing major processes of reform. As a part of these processes of reform, significant changes to legislation and regulation are currently underway. The timing of the Inquiry's Report therefore has the capacity to interact with these proposed changes and policy directions. The results of these processes of reform will inevitably impact significantly on residential consumers of water and all types of energy, including those living on lower incomes, far into the future.

Bottled LPG Is an Essential Service

In many areas, bottled LPG is an essential service, relied on for space and water heating as well as cooking.¹ Unlike the electricity, reticulated natural gas and water services sector and markets, the bottled LPG market has to date been relatively lightly regulated, or not regulated at all, in terms of consumer tariffs, market structure and consumer protection provisions.² WACOSS asserts that for many, especially those living in outer-suburban, regional and rural areas, additional regulation of consumer protections and market operation is necessary to ensure equitable access to this essential service.

Regulation Must Inform Competition

WACOSS is broadly supportive of the Office of Energy's recommendations regarding the introduction of additional competition into the West Australian LPG supply market, as well as increased levels of monitoring and transparency regarding wholesale prices. These recommendations are supported with the intention of reducing the real costs to small, residential users of bottled LPG through increased competition and information in the marketplace. However, because bottled LPG is for many an essential service, WACOSS believes that a certain level of consumer regulation is necessary to ensure that the needs of essential service consumers are met.

Energy Efficiency Schemes Should Be Targeted for the Vulnerable

Mechanisms and initiatives that will reduce the cost of LPG distribution and increase access to gas for essential residential uses are strongly supported by WACOSS, as are innovative energy efficiency initiatives including interest-free loans, auditing and subsidies to adopt appropriate energy-efficient appliances. WACOSS insists, however, that these efforts should be focused on those experiencing financial vulnerability through lower levels of household income or financial and social hardship.

Flexible Payment Options, Yes – But Not Pre-Payment Meters

While WACOSS supports the encouragement and accompanied regulation of flexible payment options for essential services, the expansion of Pre-Payment Meters to the

¹ Office of Energy Government of Western Australia, Summary of Public Hearings – Inquiry into LPG Affordability for Households in Western Australia, December 2006.

² Western Australian Council of Social Service (2007) Submission to the Office of Energy Bottled LPG Affordability Inquiry, p.12

broader community for LPG and electricity users is strongly opposed at this time. WACOSS believes that the Report's recommendation of the expansion of Pre-Payment Meters (PPM) and increased cost-reflectivity in electricity tariffs fall outside of the scope of the Inquiry as described within the Inquiry's Terms of Reference. Whilst the use of PPM technology has the potential to be problematic for all consumers, WACOSS continues to assert that available evidence specifically militates against the use of Pre-Payment Meters by essential service consumers experiencing financial hardship.

In its response, WACOSS has commented on specific recommendations contained within the Inquiry's Report, as well as addressing the related issues that are most relevant to residential essential service consumers, particularly those living on lower incomes or facing other types of vulnerability. Absence of comment on any section of the Inquiry's Report should not be taken as support for, or opposition to any proposal by the Inquiry in relation to the issue of affordability in the bottled LPG sector.

For further information in regards to this submission, please contact Aden Barker, Senior Policy Officer on (08) 9420 7222.

COMMENTS ON RECOMMENDATIONS OF THE INQUIRY

WACOSS has chosen to prepare its responses against individual recommendations made by the Inquiry in its Report. The recommendations of the Inquiry are followed by accompanying comment, analysis and WACOSS's own recommendations.

Inquiry Recommendation 1

That the Government encourages a new domestic LPG supplier to be established in the North West based on a stable long-term domestic supply contract.

WACOSS broadly supports government policy that will increase the level of competition in the supply of LPG to the domestic market. It is clear, however, that reducing the wholesale costs associated with the supply of LPG will not, in and of itself, ensure reduced costs for all small use residential consumers.

While potentially reducing the wholesale costs throughout the retail sector, some areas will inevitably continue to experience higher prices borne of poor levels of retail competition.³ Typically, areas that experience lower levels of competition by virtue of smaller market size and higher transport costs currently also experience significantly higher costs in other areas of non-discretionary spending. For example, in the last State Regional Price Index, conducted in 2000, the cost of living in the Kimberley region were on average 13.3% higher than those in Perth⁴.

Areas of non-discretionary spending may include food, personal transport fuel and other essential items. In such cases, additional regulation regarding price may be necessary to protect against essential service consumer detriment caused by predatory pricing behaviour in some local markets not experiencing adequate levels of competition in the bottled LPG retail or distribution sectors. This particular concern has previously been expressed by some in regards to the energy and telecommunications markets^{5,6}.

Further to the Inquiry's recommendation, additional analysis should take place in such markets to assess the efficacy of increased levels of competition in wholesale LPG sales in reducing the cost of bottled LPG to residential end-users. This will in turn, inform government pricing policy in this area.

WACOSS RECOMMENDATION

That some local markets may require some level of price monitoring regulation because of high retail bottled LPG costs, regardless of increases to competition in wholesale supply.

³ Report to the Minister for Energy, The Hon. Francis Logan MLA – Inquiry into the Affordability of Bottled Liquefied Petroleum Gas (LPG) for Household Use in Western Australia, June 2007, p.29

⁴ Government of Western Australia, 'Regional Price Index – Third Data Collection', 2000. p. 11

⁵ Commission for Energy Regulation, 'Industry Forum: Choices for Irish Electricity Trading Arrangements', November 2002, p. 7-7

⁶ Australian Government, 'Anti-Competitive Conduct in Telecommunications Markets – An Information Paper', August 1999, p. 41

WACOSS RECOMMENDATION

That further analysis take place to assess the efficacy of increased levels of wholesale LPG supply competition in decreasing bottled LPG prices for essential service consumers.

Inquiry Recommendation 2

On-going monitoring and review of Government regulation of reticulated LPG systems should ensure it continues to be lightly regulated to encourage future development of these systems.

WACOSS appreciates the Inquiry's desire for markets, in general, to pose as few barriers to entry as possible in situations and markets where competition is actively being encouraged to promote positive consumer outcomes. WACOSS asserts, however, that given the Inquiry's promotion of LPG and gas as an essential service for residential consumers, reticulated LPG will require an appropriate level of regulation to ensure that essential service consumers are adequately protected against consumer detriment and disconnection. WACOSS also has similar concerns regarding the introduction of full retail contestability in the small-use electricity market in Western Australia.

The effects of disconnection from essential services are significant and broad-ranging. The effects include financial detriment as a result from flow-on costs from disconnection and significant social and health costs as a result of the disconnected service. Several studies have explored the effects of disconnections from essential services in great depth, indicating that the severities of the effects of disconnection are proportionate to the length of time people are disconnected⁷. Appropriate regulation has an important role to play in reducing disconnection from essential services as a result of non-payment, as well as assisting people in reconnecting.

WACOSS strongly believes that no one should be disconnected from an essential service because of a genuine incapacity to pay as a result of financial hardship and other types of vulnerability.

Electricity is currently regulated to promote equitable outcomes for essential service consumers in the areas of debt recovery, service standards, dispute resolution and connection/disconnection/reconnection of services. As an essential service, reticulated LPG should be subject to a similar level of regulation, promoting positive outcomes for consumers.

While we understand that LPG, if reticulated, is included under the Energy Industry Ombudsman Scheme and subject to similar licensing conditions as reticulated natural gas, it is recommended that consumer protections in this area be increased. This may include an Industry Code of Conduct for bottled LPG retailers. The *Victorian LPG Retail Code* may be an appropriate model on which to base such regulation in Western

⁷ Public Interest Advocacy Centre, 'Cut Off: The Impact of Utility Disconnections', February 2005, p. 44

Australia. Adherence to this Industry Code, amongst other things, mandates the participation of industry members in Victoria's energy and water Industry Ombudsman Scheme, the Energy and Water Ombudsman of Victoria (EWOV).

WACOSS RECOMMENDATION

That, allowing for the intended promotion of entrants into the reticulated LPG market, adequate regulation be in place to protect essential service consumers from disconnection, and to assist their reconnection to essential services.

These regulations should include the provision of an Industry Code of Conduct and mandatory participation in an Industry Ombudsman Scheme for both bottled and reticulated LPG service providers.

Inquiry Recommendation 3

That the Office of Energy in consultation with the Department of Consumer and Employment Protection investigate and introduce measures that provide greater transparency and justification of LPG production and wholesale price components.

WACOSS broadly supports measures that will provide greater transparency in the pricing components of bottles LPG for consumers. Further to WACOSS's recommendations in our submission to the Inquiry in January 2007⁸, bottled LPG consumers would require that such measures include greater display of pricing components as a part of their bill for services. This, coupled with targeted consumer education, may assist consumers in exercising choice where competitive retail markets exist. It may also assist consumers in situations where a switch to alternative energy sources may be financially feasible.

The way in which transparent information regarding pricing is displayed should be informed and mandated by regulation. This situation may be seen to be analogous to that of other essential services where some of the information contained within billing documents is required under either an Industry Code or within the operating license conditions. In the absence of operating licenses of this sort in the bottled LPG sector, this regulation may be most appropriately included in a mandatory Customer Code for bottled LPG.

It is notable that while the Inquiry has recommended against the adoption of retail price monitoring, it is at the same time recommending the continuation of universal, 'postage stamp' pricing in electricity tariffs to reduce the retail costs of electricity to rural, remote and otherwise uneconomic social users of electricity. Given the Inquiry's identification of LPG as an essential service, it is difficult to understand why some level of retail price monitoring is not justifiable to militate against essential service consumer detriment in more remote rural and regional areas.

⁸ WA Council of Social Service, 'Bottled LPG Affordability Inquiry: WACOSS Submission to the Office of Energy Bottled LPG Affordability Inquiry', January 2007, p. 16

WACOSS agrees that tariff-fixing of the type experienced in the electricity market may not be suitable in the area of bottled LPG due to the exclusively private-sector nature service provision. The absence of standard pricing in the bottled LPG retailing does, however, require that Government assume a central role in monitoring price.

While the Inquiry has the duty, within its remit, to make comment regarding government policy which will improve affordability of bottled LPG for household use, WACOSS believes that recommendations and comments made in the Report⁹ specifically regarding increased cost reflectivity in electricity tariffs fall outside of the effective scope of the Inquiry.

The Inquiry's Report comes at a time when the Office of Energy has commenced stakeholder consultation regarding their review of Western Australia's Electricity Market. This review includes close examination of the structure and purpose of electricity tariffs in Western Australia. In the Inquiry's Report, little justification is made for comments regarding increased cost-reflectivity in electricity tariffs, other than it may increase the cost-competitiveness of bottled LPG. There is also no examination at all regarding the widespread effects that changes to electricity tariffs will have on all Western Australians. WACOSS believes that without such considerations, recommendations regarding electricity pricing structures may be inappropriate.

WACOSS RECOMMENDATION

That transparent pricing information be available to bottled LPG consumers as a part of billing documents for their service.

WACOSS RECOMMENDATION

That the formatting and scope of information to be included in bottled LPG consumer bills be mandated within a relevant, mandatory Industry Code.

WACOSS RECOMMENDATION

That government carry-out an appropriate level of price monitoring, targeted at areas experiencing high transport costs and lower-levels of competition.

Inquiry Recommendation 4

Government should investigate measures to improve the attractiveness of LPG and natural gas for water and space heating in regional areas.

WACOSS is broadly supportive of this recommendation of the Inquiry, to the extent that LPG and natural gas should be promoted for domestic use in situations where the ongoing cost of operating appliances is expected to be less than that of other energy sources. It is understood that encouraging essential service consumers to utilise natural gas and LPG instead of electricity for water and space-heating needs may have the twin effects of both reducing peak electricity load (and therefore additional peak generational

⁹ Inquiry into the Affordability of Bottled Liquefied Petroleum Gas (LPG) for Household Use in Western Australia, 'Report to the Minister for Energy: The Hon. Francis Logan, MLA', June 2007, p. ix

capacity costs) and increasing the size of the market within which LPG and natural gas suppliers might compete.

Further to the Inquiry's recommendation, WACOSS has some concerns that LPG and natural gas consumers may be worse-off and pay more for services in the short to medium term. This is because reduced retail costs for natural gas and LPG may take some time to eventuate if competition is relied upon to place downward pressure on prices.

If the purpose of encouraging the adoption of LPG and natural gas for essential, residential uses is to increase market-size and therefore competition and downward pressure on prices, then WACOSS recommends a considered approach to policy implementation. This may include time-limited subsidies, or rebates for consumers switching to LPG or gas for space and water heating purposes. Alternatively, if there are concerns that this may put an inflationary trend on LPG and natural gas pricing, time-limited subsidies for electricity use for those switching to LPG may be considered. This option may be seen to be particularly appropriate in cases where the adoption of LPG and natural gas has militated against the need for additional and expensive expansions to peak generational capacity for electricity.

To ensure that essential service consumers benefit from making the switch to gas or LPG, further analysis should be carried-out to assess the effectiveness of increased market size in promoting competition and downward pressure on bottled LPG prices.

WACOSS RECOMMENDATION

That encouragement of the adoption of LPG or natural gas for essential water and space heating needs be done in such a way as to not disadvantage consumers in the short-term.

WACOSS RECOMMENDATION

That further analysis take place regarding the effectiveness of increased market size in promoting additional competition and downward pressure on the retail price of bottled LPG.

Inquiry Recommendation 5

Government should develop policies and implement measures that promote and facilitate the installation of gas reticulation where practicable and feasible at the time of land development.

WACOSS broadly supports this recommendation in its current form. Additionally, it is also suggested that regulation may be required in some instances to ensure that the installation of gas reticulation occurs at the time of land development.

Further to WACOSS's prior research, contained in its last submission to the Inquiry, and the Inquiry's Report, it is evident that essential service consumers, to whom reticulated gas is not available, are at a significant disadvantage when considering the price of the service. While most of the cost benefits of not installing reticulated gas systems are

accrued to land developers, consumers subsequently relying on bottled LPG for cooking and heating needs are significantly burdened thereafter with additional, non-discretionary spending on what is an essential service.

WACOSS RECOMMENDATION

That necessary regulation be applied in cases where encouragement for, and facilitation of the installation of reticulated gas services is unsuccessful at the time of land development, to ensure that installation takes place.

Inquiry Recommendation 6

Government (Office of Energy), in consultation with industry and relevant Government Agencies, should investigate and develop a transparent, equitable scheme to allow the expansion of the gas network to occur in areas located within reasonable proximity to existing infrastructure and where there is sufficient demand to warrant the necessity of works.

This scheme should take into consideration regions with colder climates and higher levels of low income households and public housing.

In regional areas not located in close proximity to natural gas infrastructure, stand alone reticulated LPG or natural gas systems should be considered under similar criteria to ensure an equitable approach is provided to regional areas.

The extension of existing reticulated natural gas networks in regional areas, where feasible, is strongly supported by WACOSS. This recognises the reality of gas use (LPG or natural gas) as an essential service. WACOSS also strongly supports the intention to target areas occupied by high-levels of households living on lower incomes or in public housing.

The Inquiry's Report does not identify transport costs as being a significant driver of higher LPG prices. However, small-scale reticulation of LPG should still be encouraged by government where possible, as future increases in the price of oil and other transport fuels are likely to place significant upward pressure on all transport fuel costs.

WACOSS RECOMMENDATION

That Government actively encourage the small-scale reticulation of LPG, where feasible and where this will protect consumers from future transport price increases.

Inquiry Recommendation 7

Five regional areas should be selected to estimate and compare costs of potential natural gas and LPG reticulation projects at various scales and evaluating different housing types (new subdivisions, existing infill, public housing).

As a part of this, a desktop assessment model should be developed to assist local government to assess costs of reticulation projects and the recovery of these costs through rates.

An expression of interest process for a pilot reticulation project should be considered for an appropriate regional area where there is sufficient demand to warrant the works and the natural gas of LPG can be delivered at a price lower than for cylinder LPG.

WACOSS supports this recommendation of the Inquiry. In addition, it is also suggested that Government may contribute to the costs of small-scale LPG reticulation in cases where the switch from electricity to reticulated LPG for essential service use will reduce the requirement for costly expansion to peak electricity generational capacity.

WACOSS RECOMMENDATION

That Government contribute to the total cost of small-scale LPG reticulation in cases where doing so will decrease the potential costs of expanding electrical generational capacity.

Inquiry Recommendation 8

That Government develops a comprehensive energy hardship policy that includes consideration of the affordability of LPG and consumer protection issues for households on low incomes.

WACOSS strongly supports the development of a comprehensive energy hardship policy, incorporating the specific consumer protection issues faced by essential service users living on lower incomes or facing other types of social and financial vulnerability. Such a policy should include a suite of more general consumer protections and exist under a regulated Industry Code of Conduct that suppliers must be party to.

Subsidies and Rebates

While the Inquiry's Report recommends against the provision of subsidies as a method of supporting consumers, WACOSS submits that as LPG is an essential service, some consumers may require the same level of support that can be found in the context of electricity rebates. A key component in the Inquiry's reasoning, within its Report, is that the current test utilised in the electricity rebate (namely Commonwealth Health Care Card eligibility) is too broad a test, and may capture many people not experiencing financial hardship. Given that this may be true, WACOSS recommends the use of alternative tests, which may better reflect someone's financial situation. Such tests may include the type of Commonwealth benefit being received or their level of income.

The Inquiry indicated in its findings that there are relatively few residential bottled LPG users falling into the category of 'fuel poverty'. The Inquiry has cited the measure utilised in the United Kingdom where people are identified as being in fuel poverty if their average expenditure on energy exceeds 10% of expendable income. WACOSS submits that whilst this may appear to be a reasonable measure, it remains arbitrary in nature.

Additionally, when considering as to whether bottled LPG consumers fell into the category of fuel poverty as defined in the United Kingdom, the Inquiry has examined the costs of bottled LPG consumption in isolation. WACOSS suggests that if total, non-transport energy costs were considered, including electricity, that bottled LPG consumers will exhibit a far higher rate of fuel poverty than depicted in the Inquiry's Report.

Utility Grant Scheme

WACOSS has consistently recommended the formation of a Government-funded Utility Grant Scheme. Such a scheme would provide funds on a one-off basis to assist consumers experiencing essential service-related hardship. Similar to such schemes operating in Victoria, WACOSS recommends that LPG be included in such a scheme. Alternatively, if practicable, such a scheme may be operated independently as a bottled LPG assistance scheme.

Code of Conduct for Essential Services

In Western Australia, electricity providers currently operate under a consumer code of conduct as a condition of their operating license. This code mandates the existence and ongoing review of hardship policies as well as specifying certain minimum conditions concerning payment, debt recovery and disconnections from the service. The reticulated natural gas industry is also regulated by an enforceable code, covering issues around marketing and contracts. Given the essentiality of bottled LPG for many people living in rural, regional and remote communities, additional consumer protection regulation is required in the form of an enforceable Code of Conduct. The Victorian LPG Code of Conduct is one such example of this.

Access to Ombudsman Scheme

Electricity and reticulated natural gas users in Western Australia currently have access to free dispute resolution services through the WA Energy Ombudsman Scheme. This scheme is industry-funded, with utility providers being required to sign-up to the scheme as a condition of their operating license. The Ombudsman provides an avenue for consumers who are unable to resolve their difficulties with their service provider.

The Energy and Water Ombudsman of Victoria also deals with issues arising from the bottled LPG industry. While WACOSS understands that the adoption of a similar scheme in Western Australia may require that alterations be made to existing licensing regimes for bottled LPG, as an essential energy service, consumers deserve and may require avenues of redress currently available only to electricity and reticulated natural gas users.

Flexible Payment Options

WACOSS supports the Inquiry's finding that an increase in the range of flexible payment options available to consumers will improve bottled LPG affordability on a day-to-day basis. Currently, most bottled LPG retailers and suppliers require that payment for service be made up-front and in lump sums. For people living on lower incomes or facing financial hardship, this form of payment diminishes the day-to-day affordability of bottled

LPG as its purchase requires sometimes significant levels of financial planning for households.

WACOSS believes that appropriate payment options should include bill smoothing and longer-term contracts that enable consumers to spread costs evenly over longer periods of time, assisting in day-to day budgeting. Additionally, exploration of other options regarding the provision of credit and repayment may also be helpful in addressing the problem of large, up-front payments which are currently required by many retailers and suppliers of bottled LPG. WACOSS does not, however, support the introduction of Pre-Payment Meters for either bottled/reticulated LPG or electricity (see comment on Inquiry Recommendation 14).

Regulated Debt Collection Procedures

Currently, debt collection procedures for those business that do offer credit, or time to pay for bottled LPG services are governed by the WA Fair Trading legislation and relevant Commonwealth consumer protection Acts. Further to our previous submission to the Productivity Commission's Inquiry into Australia's Consumer Protection Framework, WACOSS believes that such generalist legislation, while appropriate for some non-essential goods and services in the market, provides inadequate protections for essential service consumers.

For electricity consumers, the *Electricity Code of Conduct (for Small Users)*, within the *WA Electricity Industry Act (2004)*, regulates, in part, debt collection procedures for electricity providers. WACOSS suggests that given the essentiality of bottled LPG use for residential consumers, similar legislation and subservient regulation should be formulated to meet the consumer protection needs of bottled LPG users.

WACOSS RECOMMENDATION

That targeted subsidies and rebates be considered for people at risk of experiencing hardship as a result of essential service costs. These costs should include the entire mix of essential services, rather than just the costs of bottled LPG.

WACOSS RECOMMENDATION

That Government fund a Utility Grants Scheme to provide financial assistance to essential service consumers experiencing financial hardship and that this scheme should include bottled LPG.

WACOSS RECOMMENDATION

That a single, or similar Codes of Conduct for suppliers of essential services be developed and implemented and that such a Code include suppliers of bottled LPG. Alternatively, a separate Code, such as that existing in Victoria may be implemented.

WACOSS RECOMMENDATION

That bottled LPG consumers have access to independent dispute resolution services through the inclusion of bottled LPG suppliers in the Energy Ombudsman Scheme, currently operating in Western Australia.

WACOSS RECOMMENDATION

That flexible options for payment by bottled LPG consumers be encouraged and when necessary, mandated by regulation. Such payment options may include bill smoothing, longer-term contracts and additional time to pay.

WACOSS RECOMMENDATION

That further regulation take place regarding debt collection procedures for bottled LPG customers, recognising the essentiality of the service.

Inquiry Recommendation 9

That Government (Office of Energy, SEDO, Department of Housing and Works) develops an Energy Efficiency Program for Low Income Households building on existing programs offered or trialled by SEDO and programs offered in other jurisdictions. This should include a trial based on public housing.

WACOSS strongly supports this recommendation of the Inquiry's Report. Addressing energy inefficiencies in housing occupied by people living on lower incomes has the capacity to further reduce financial hardship associated with essential service costs as well as addressing the need to reduce greenhouse gas emissions. Research in this area has indicated that increasing the energy efficiency of housing is a relatively low cost method of reducing overall energy consumption and reducing greenhouse gas emissions.

Any energy efficiency program targeted at people living on lower incomes or else facing financial vulnerability should include energy auditing services, as well as provide for small works to be carried-out on homes. An example of such a program may be seen in the Save Water and Power Program (\$WAP), piloted and run until recently through Environment House.

An energy efficiency and auditing program targeted at people living on lower incomes, including people residing in Department of Housing and Works properties, should be available, within reason, to the greatest number of people possible; including people living in outer-suburban areas. Areas on the fringe of Perth and other regional urban areas often contain disproportionately high levels of people living on lower incomes due to the reduced cost of housing. Any effective program will need to be appropriately funded to take into account the increased travel that must take place as a result of this.

WACOSS RECOMMENDATION

That an energy efficiency and auditing program targeted at people living on lower incomes include funding for small works and home maintenance and be available to people living in outer-suburban areas.

WACOSS RECOMMENDATION

That an energy efficiency and auditing program targeted at people living on lower incomes be appropriately funded to take into account real travel expenses in serving the Greater Perth metropolitan area and other regional centres of population.

Inquiry Recommendation 10

That Government (Office of Energy, SEDO, Department of Housing and Works) investigates policies regarding appliance installation in public housing favouring appliances with lower energy operating costs, such as solar hot water heaters in appropriate regions and houses.

WACOSS strongly supports this recommendation of the Inquiry's Report. Targeted installation of energy-efficient appliances, where appropriate, will both decrease greenhouse gas emissions, as well as reducing the operating costs of households living on lower incomes.

It should also be considered by the Inquiry that an investment in energy efficient appliances in public housing may also have the capacity to decrease the incidence of rental and other non-discretionary cost defaults. This will, in turn, improve Department of Housing and Works' monetary flow by reducing the costs of debt recovery, accommodation management and the opportunity costs accrued by long-standing bad debts.

WACOSS RECOMMENDATION

That Recommendation 10 contained within the Inquiry's Report be supported by Government.

Inquiry Recommendation 11

Introduction of zero interest appliance loan schemes or rebates to assist households to change appliances to more energy efficient appliances with low operating costs should also be considered.

This recommendation of the Inquiry's Report is wholeheartedly supported by WACOSS. It is recommended, however, that some test be attached to such loans to prevent inappropriate technology from being adopted where it is not required. For instance, a two-person household may not require a high capacity washing machine or a solar water heater because their low-levels of use negate the need for potentially expensive technological solutions.

In such situations, it may be appropriate to have eligibility for such schemes depend of the recommendations of an energy audit. This may assist in the financial sustainability of

such a scheme as well as preventing the adoption of technology where it is either not required or will not produce a net reduction in energy use over the medium-term.

WACOSS RECOMMENDATION

That zero-interest loan scheme eligibility criteria include participation in an energy audit process deeming additional appliances necessary to meet certain energy efficiency goals.

Inquiry Recommendation 12

That Government (Office of Energy, SEDO) investigates the potential for the existing solar hot water heater rebate program to also target identified low income families with larger rebates and interest free loans to encourage appliance switching in regions and houses where solar hot water system provide efficiency and operating cost benefits.

This recommendation within the Inquiry's Report is strongly supported by WACOSS. Currently, there are many rebates available on energy-efficient appliances, as well as significant savings to be made over the longer-term by switching to energy-efficient appliances. There are, however, significant barriers to these rebates and cost-saving technology being available to people living on lower incomes because of the relatively high up-front costs involved.

As discussed previously in this submission in reference to Recommendation 11 of the Inquiry's Report, some energy efficient appliances will not be appropriate for some households due to individual patterns of use, type of housing and levels of occupancy. In order that such rebate schemes as recommended in the Inquiry's Report remain sustainable in the long term and bring about the maximum level of benefit for both the public and individual households, it is recommended that eligibility criteria be structured accordingly.

WACOSS RECOMMENDATION

That eligibility criteria for future expanded rebate and zero-interest loan schemes for solar hot water heaters continue consider the relative benefits for consumers over the life time of the product, as well as the costs.

Inquiry Recommendation 13

That Government encourages LPG distributors/retailers to establish instalment payment plans or bill smoothing to help consumers with affordability.

WACOSS welcomes this recommendation from the Inquiry's Report. As referred to in WACOSS's commentary on Recommendation 8 of the Inquiry's Report, WACOSS believes that in order to facilitate ongoing access to essential services, such as gas and bottled LPG, services should be available on credit. Moreover, the methods by which suppliers provide credit for services should be subject to an appropriate level of regulation that meets both the needs of essential service consumers and service providers.

Given the commercial and privately-owned nature of the bottled LPG service industry, it is suggested that further analysis take place regarding the level of regulation required to bring about the desired consumer protection outcome. Such regulation should specifically take into account the needs of people living on lower incomes or facing financial hardship.

WACOSS RECOMMENDATION

That analysis take place and regulation be subsequently implemented regarding appropriate and flexible payment methods for bottled LPG consumers. These regulations should ensure that the needs of people living on lower incomes or facing financial hardship are addressed.

Inquiry Recommendation 14

Taking into consideration potential consumer protection issues, that Government considers ways to allow more widespread use of pre-payment meters for electricity and LPG to assist consumers in reducing upfront costs to more manageable amounts.

The Inquiry's Report has explored the bottled LPG supply chain and accompanying costs in great depth. The Inquiry's findings, expressed within the Report, have been used to justify recommendations made by the Inquiry. In contrast to this, however, WACOSS submits that the Inquiry in its Report, has provided little in the way of reasoned analysis, detailed exploration of issues or discussion to support the above recommendation. Furthermore, it may also be suggested that the Inquiry, by endorsing recommendations in regards to electricity tariffs and payment methods, has stepped-outside of its immediate terms of reference.

In the context of LPG, WACOSS makes the assumption that the Inquiry is proposing that Pre-Payment Metering technology be utilised in cases where LPG is reticulated and consumption metered. This is of particular concern given that the Inquiry's Report is also recommending that reticulated LPG systems be lightly regulated. WACOSS does not

support the expansion of current Pre-Payment Meter schemes, present in some Aboriginal communities.

Significant concerns regarding this issue have previously been detailed by WACOSS in numerous other forums, including the recent review of the *Electricity Code of Conduct (for the Supply of Electricity to Small Use Customers)*, contained within the *Electricity Industry Act (2004)*. Broadly speaking, however, existing concerns may be described as being of a technological nature, as well as a more general, consumer protection-focused one.

People Should Not Be Disconnected Due to Hardship

As previously discussed, gas – either in the form of LPG or reticulated natural gas - is an essential service. It retains the status of essentiality because of its special role in maintaining individual health, hygiene and social participation through its uses in space and water heating as well as cooking. Because of the essentiality of energy services, affordability and access for consumers must always be a prime consideration of policy makers because being without energy, even for a short period of time, can have severe social and economic effects for individuals, families and communities.

WACOSS' policy position, through the Consumer Utilities Project, is that no essential service consumer should have their access to essential services removed because of a genuine incapacity to pay. While this position needs to be considered in the context of a market in which business sustainability is dependant on people paying for services, WACOSS believes that being in financial hardship, or other types of vulnerability should not make a customer subject to disconnection from the supply of an essential service.

Under a system of Pre-Payment Meters, consumers are automatically disconnected from supply when the credit in the meter expires unless they are able to recharge the meter with another pre-purchased card. They require the capacity to pay before the time of their consumption. Not only are people automatically disconnected if they are unable to pre-purchase supply, but they also lose the capacity to negotiate a payment plan with their retailer. Contrary to enabling people living on lower incomes or facing hardship to budget for services and remain connected, the use of Pre-Payment Meters may actually make people more vulnerable to disconnection.

Some Groups Are More Vulnerable

WACOSS is particularly concerned that Pre-Payment Metering is currently being promoted by the Inquiry in its Report as a valid response to affordability problems for consumers experiencing financial hardship and other types of vulnerability. Indeed, recent research in this area appears to indicate that people living on lower incomes or facing different types of social or financial vulnerability may even be more likely to be effectively disconnected from essential services under such a system.

A recent paper was prepared by the Tasmanian Council of Social Service, commissioning part of the report from independent consultants. This research, *Pre-payment meter use in Tasmania: Consumer views and issues*, surveyed over 1,500 people and found that "a relatively high level of disconnection was reported amongst people using Pre-Payment Meters for Electricity, with 23% of respondents having run out of electricity at least once in past 12 months.

While the majority of people within the surveyed group (58%) had forgotten to re-charge their card and most remained without power for less than 24 hours, 6% of households were without power for longer. The study also indicated that running out of credit for electricity was most commonly reported by single parent households (43%) and households where at least one person was unemployed (33%)¹⁰.

Similarly, in its report: *Consumer Issues With Pre-Payment Meters – Final Report*, the Essential Services Commission of South Australia identified the inevitability of disconnection for vulnerable consumers, consumer coercion, lack of informed consent as well as lack of basic consumer protections as being a major issues experienced in other jurisdictions that had implemented Pre-Payment Meter technology for electricity consumers¹¹. Several groups were identified, based on information from other jurisdictions, such as the United Kingdom, where it was indicated that up to 6% of customers using Pre-Payment Meters had difficulty in maintaining supply, for financial reasons¹².

Public Reporting of Consumer Detriment

Currently, data regarding the prevalence of disconnection amongst electricity consumers, as well as additional information regarding the duration of disconnection, is reported to the Economic Regulation Authority. This data is then published publicly in the ERA's *Annual Report on the Code of Conduct (for the Supply of Electricity to Small Use Customers)*. Most recently, the ERA's 2005/06 report on the Code indicated a rate of disconnection as a result of non-payment up to five times higher than it had been in other states¹³. Given that this is obviously an appropriate matter for public interest and government intervention, given the essentiality of electricity, it is concerning that the Pre-Payment Metering technology currently in use within Western Australia does not record the frequency or duration of disconnections.

If similar technologies were to be implemented across the entire community, both for reticulated LPG and for electricity, the incidence of disconnection in the community and the resultant negative effects on individual and groups' welfare would be effectively hidden from the public eye. This issue was also identified by the Essential Service Commission of South Australia as a problem experienced to date in other jurisdictions where Pre-Payment Meters had been used for electricity consumers¹⁴.

Any Benefits of PPMS Achievable Through Other Means

While the widespread implementation of Pre-Payment Meters poses significant risks to may essential service customers, the stated and claimed benefits of Pre-Payment Metering technology may possibly be gained through other means. This was recognised

¹⁰ Tasmanian Council of Social Service, Pre-payment meter use in Tasmania: Consumer views and issues, August 2006, p. 34

¹¹ Essential Services Commission of South Australia, 'Consumer Issues with Pre-Payment Meters: Final Report', April 2004, p. 21

¹² Ibid., p. 68

¹³ Economic Regulation Authority, '2005/06 Annual Report on the Code of Conduct (for the Supply of Electricity to Small Use Customers)', April 2007, p. 15

¹⁴ Ibid, p. 25

by the Essential Service Commission of South Australia in their Report¹⁵ which identified a number of methods delivering the same benefits as Pre-Payment Meters, without the attendant risks to consumers.

All of these methods, like Pre-Payment Meters, draw their benefits from the fact of consumers being required to pay small amounts of money, more often. An example of such methods can be found at Alinta Gas, which offers both bill smoothing and a payment card option. Both of these payment methods retain the relationship between the essential service consumer and the retailer and leave the lines of communication open for consumers to negotiate continued supply, if required, in the case of hardship.

WACOSS RECOMMENDATION

That the Inquiry's Report withdraw recommendations regarding the implementation of Pre-Payment Meters for electricity as these recommendations exist outside of the Inquiry's original terms of reference.

WACOSS RECOMMENDATION

That the use of Pre-Payment Meters for reticulated LPG and electricity in the community not be expanded to include the general community for reasons of equity, safety and general consumer protection.

WACOSS RECOMMENDATION

That in the event that Pre-Payment Metering technology is utilised for reticulated LPG and electricity in the future, technology be employed that will record and provide data to regulators regarding the incidence and frequency of disconnection from service.

WACOSS RECOMMENDATION

That alternatives to Pre-Payment Meters be considered that have the potential to bring about similar benefits to consumers, without the attendant and inherent risks of the technology.

¹⁵ Essential Services Commission of South Australia, op. cit., p. 92

CONCLUSION

WACOSS thanks the Inquiry for the opportunity to respond to its final Report to the Minister for Energy regarding the *Affordability of Bottled Liquefied Petroleum Gas (for Household Use in Western Australia*. Certainly, the issue of affordability for bottled LPG is significant, given its status as an essential service. This status, in and of itself, highlights the need for government intervention to ensure that issues around equity, affordability and access are addressed.

WACOSS strongly renders the belief that it is the responsibility of governments to ensure that the essential service needs of the community are met. This responsibility should be at the forefront of any consideration regarding the need to further regulate and promote increased levels of competition in the bottled LPG industry or the promotion of alternatives to bottled LPG where appropriate through LPG reticulation, or other energy sources.