

CPSA



**COMBINED PENSIONERS
& SUPERANNUANTS
ASSOCIATION OF NSW INC**

Submission to the NSW Government Energy Efficiency Action Plan

Review of energy efficiency programs for low income households

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CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 130 branches and affiliated organisations with a combined membership of over 30,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA depends for the majority of its funding for core activities as a peak body on a \$440,000 grant from NSW Family and Community Services' Office for Ageing. CPSA engages in systemic advocacy on behalf of its constituency. CPSA acknowledges the potential for conflict of interest arising for CPSA and the NSW Government as a result of this funding arrangement. CPSA is committed to managing any conflict of interest issues in an ethical manner.

CPSA welcomes the opportunity to make comment to this review both through this submission and also through the evidence gathering forum held at University of Technology Sydney (UTS) on 6 February 2014.

Summary of key recommendations

1. Strategies to address bill shock among low income households should not be confined to energy efficiency programs alone. A holistic approach is needed and this requires the ongoing support of the NSW Government through regulation and assistance programs.
2. Energy retailers should be required to provide monthly bills that are easy to interpret using a unit price that is easily comparable. Standard unit prices should also be required in energy offer advertisements.
3. Basic appliance standards in rental properties should be implemented so that renters are guaranteed a certain level of energy efficiency.
4. The administration of the EAPA voucher system should be moved away from charitable organisations to the NSW Government.
5. The EAPA scheme should move away from a paper-based voucher scheme and the amounts available to households facing hardship should be increased.
6. Energy rebates should be indexed as a percentage of bills.

Energy efficiency and bill affordability for low income households

While energy efficiency is an important aspect of addressing bill pressure, it is only one aspect at play in energy affordability. It's crucial to note that for many households, the notion of energy efficiency is still not meaningful, despite the effectiveness of programs such as the Home Power Saver Program in creating greater energy usage awareness. What low income households are primarily concerned about is their final bill and how this can be lowered. It is worth noting here that the number of complaints to the NSW Energy and Water Ombudsman (EWON) about high or disputed bills went up by 37 per cent in the period between 2011/12 and 2012/13.¹

A key driver of bill pressure and bill shock in recent years has been the unprecedented increases in electricity costs as well as high network charges. With network charges comprising about 50 per cent of final bills, the ability for households to restrain their bills through conservative energy usage is limited. CPSA does not want to see a scenario in which strategies to address the inability of many low income households to be able to absorb bills without hardship are confined to making low income households more energy efficient. There are wider contextual issues at play which must be addressed if we are to see a positive impact in the unaffordability of electricity bills for low income households.

¹ Energy and Water Ombudsman (2013) *Annual Report 2012 – 2013*, p. 7, Available at: <http://www.ewon.com.au/index.cfm/publications/annual-reports/>

What is problematic is the fact that data surrounding energy affordability such as hardship program numbers and disconnection rates do not provide insight into the number of low income NSW households who are still paying their bills on time but facing significant hardship in order to do so, including forgoing other essentials. Anecdotally, CPSA regularly hears from our constituents about the significant lengths they go to to keep their energy bills down through keeping lights off at night, limiting TV use, not using heaters during winter despite living in colder climates and limiting their use of hot water.. As noted in the Home Power Saving program review, participant households consumed about 5,500kWh per year (before completing the home assessment) compared with the NSW average being 7,000kWh, reflecting the established link between income levels and energy usage and therefore limiting the impact of energy efficiency programs.² Even with a more conservative energy use, low income households still face bills they cannot afford.

The length of billing periods is a major issue for people on low incomes both in terms of affordability and the creation of bill shock but also in terms of limiting the ability of customers to be able to analyse their own electricity usage in a meaningful way. A requirement for energy retailers to provide monthly bills that are easy to interpret and which have a unit price that is easily comparable would assist low income households to keep track of their energy usage. Currently, energy offers are extremely difficult for customers to interpret as there is no requirement for energy retailers to provide per unit costs that are easily comparable. This is one of the barriers people face in shopping around for a better deal; it can be difficult to tell whether a particular sign up deal is in fact a good one. CPSA proposes that such unit costs be made mandatory.

Home Power Savings Program

The Home Power Savings Program has been well accessed and CPSA has received extensive positive feedback about the benefits of the program. As a result, CPSA directed members and constituents to the program regularly and also advertised it through CPSA's monthly publication *THE VOICE of Pensioners & Superannuants of NSW*.

Unlike the Energy Accounts Payment Assistance (EAPA) scheme, our members have informed us that they felt more comfortable accessing the Home Power Savings Program largely due to the fact that it was clear that it was NSW Government administered and it was advertised in a neutral way; that is, they felt that there was no negative stigma associated with it. Many low income households, particularly older households, are

² Rickwood, P, Mohr, S, Nguyen, M, Milne, G (2012), *Evaluation of the Home Power Savings Program – Phase 1, Final Report*, Prepared by Institute for Sustainable Futures, UTS for the NSW Office of Environment and Heritage, p. 12, Available at: <http://www.environment.nsw.gov.au/resources/climatechange/140051hpsp.pdf>

reluctant to access programs which are administered through a charitable organisation or an energy retailer. (This is discussed in further detail later in this submission.)

Whilst CPSA notes that some people, particularly those from certain cultural backgrounds, may be uncomfortable with an assessor coming into their home, those who contacted CPSA about their experience found benefit in the advice given and felt as though it was tailored to their personal situation through it being a home visit. In terms of targeting (whilst the program may have missed certain CALD groups) overall, CPSA was pleased that the program had a wide reach of low income people and those in energy hardship through targeting Pension Card holders, those with a Low Income Health Care Card and those who had accessed a hardship program through their retailer. In particular, CPSA is pleased at the inclusion of Low Income Health Care Card holders, making the program more accessible to a wider range of low income households, than if it was only available to Pension Card holders.

CPSA members found that the Home Power Savings Program was useful for assisting them with understanding their energy usage. For some, however, the extent to which they could change their behaviour was limited. For certain households it was because they were already very vigilant with their energy usage, for others the cost of more energy efficient upgrades suggested were unaffordable and for some, particularly those who are renting privately, they were not able to obtain permission to be able to install the higher energy savings items that were available under the program. For example, according the review of the program, only about 14 per cent of households had a water efficient shower head provided as part of their home assessment but “showerheads would probably be the biggest energy saving program measure for most households”.³ This barrier of split incentives between landlords and renters is something that future energy programs should address. CPSA was also disappointed to learn that some people living in Housing NSW homes were not given permission to implement energy saving changes. Given that both are funded by the NSW Government, it seems counter-productive that such refusals were made.

It would have also been beneficial if the Home Power Saving Program had the option of a follow up at a later date and also have the flexibility to spend more time with certain households if required as one hour is not sufficient for some homes and householders.

CPSA would like to see the implementation of basic appliance standards in rental properties so that renters are guaranteed a certain level of energy efficiency. Furthermore, it would be beneficial if there was a requirement for real estate agents

³ Rickwood, P, Mohr, S, Nguyen, M, Milne, G (2012), *Evaluation of the Home Power Savings Program – Phase 1, Final Report*, Prepared by Institute for Sustainable Futures, UTS for the NSW Office of Environment and Heritage, p. 14, Available at: <http://www.environment.nsw.gov.au/resources/climatechange/140051hpsp.pdf>

and/or landlords to provide new renters (and potential renters) of the appliances in the property as this (in particular water heating systems) can have a bearing on what electricity options work best for them (e.g. time of use tariffs).

CPSA also notes that some of the smaller items provided, most notably door snakes, are not appropriate for all households. These can be a trip hazard, particularly for older people.

The No Interest Loans Scheme (NILS)

The NILS program plays a crucial role in addressing the limitations which low income households face in being able to invest in solutions for long term energy savings through more efficient appliances. Not only does the program allow low income households to look to the future in terms of their electricity usage and bills and allows them to purchase high cost but high benefit items that they would not otherwise be able to afford, it also has a positive effect in neutralising the appeal of appliance rentals. This is important for low income people such as people living on Centrelink pensions and allowances who are living week to week. Appliance rental is often the only option they are able to afford as they do not have the financial means to be able to purchase an item outright. Such rental appliances are not in the best interests of customers who end up paying well in excess of what the appliance is worth and often never end up owning the item.

Energy Accounts Payment Assistance (EAPA) scheme

One of the drawbacks CPSA finds with the EAPA voucher system is that some people most in need of assistance are reluctant to access the vouchers as it requires them to go to a charitable organisation. The reluctance to visit a charity both stems from personal pride but also the notion that there are other more needy people out there and they do not want to take from them. CPSA has found it difficult to explain to constituents that it is a Government-funded initiative and that certain community welfare organisations (CWOs) are the administrators. People still feel that they are taking from charity and this makes some reluctant to access the scheme even if they are in severe hardship. Despite this setback in perception the EAPA voucher system has proved invaluable to people struggling to pay a bill due to hardship.

There are however other concerns that have been raised by individuals including that they know the workers at their local EAPA administering organisation so there is a lack of privacy and in some instances it is necessary to travel large distances to get to their nearest CWO, which negates the impact of the assistance received. People also have religious reasons for being hesitant to access EAPA assistance from CWOs whose faith framework differs from their own. It has also been put forward by voucher users to CPSA that they felt as if certain community welfare organisations were being subjective in

determining the level of assistance they were entitled to under the EAPA scheme i.e. they were unhappy with charities conducting the assessment.

For these reasons, CPSA supports a model in which the NSW Government administers the EAPA scheme, similar to the Victorian Utility Relief Grant Scheme. This would remove the barriers of EAPA being considered 'charity', privacy would be protected for those living in small communities, the NSW Government would be able to collate data on the extent of hardship and use this information to develop public policy. NSW Government administration would also protect against retailers abusing the scheme to reduce account debt.

What would also make this scheme more effective is if larger amounts were available to households in need. Often what is available is not enough for someone to get on top of their debt with their energy retailer. CPSA also receives calls from people who have tried to access EAPA vouchers at the authorised community welfare organisation in their local area only to be told that they have run out of vouchers. An option that relies less on a paper based voucher system may be more efficient in enabling community organisations to ensure that there is always assistance available to those who need it.

Role of Government

CPSA sees the ongoing role of the NSW Government (both through regulation and through assistance programs) as vital to ensuring that low income people are able to keep up with rising electricity prices. This is particularly important as we are seeing a wind down in Australian Government energy programs, such as the Home Energy Saver Scheme (HESS). While CPSA recognises that upcoming electricity price rises in NSW are due to be more modest than what we have seen in recent years⁴, this, whilst welcomed, will have limited impact on low income people who are not seeing their incomes rise and are already struggling with bills. Unless electricity bills were to fall sustainably in real terms, many low income households will continue to face hardship without adequate Government intervention and assistance.

Importance of rebates

NSW Government rebates including the Low Income Household Rebate, the Family Energy Rebate, the Life Support Rebate and the Medical Energy Rebate play a vital role in providing effective and equitable support to low income people and those who are required to consume higher levels of electricity for medical reasons. CPSA welcomed the

⁴ IPART (2013), *Final Report – Review of Regulated Retail Prices for Electricity – from 1 July 2013 to 30 June 2016*, Available at: http://www.ipart.nsw.gov.au/Home/Industries/Electricity/Reviews/Retail_Pricing/Review_of_regulated_electricity_retail_prices_2013_to_2016/17_Jun_2013_-_Final_Report/Final_Report_-_Review_of_Regulated_Retail_Prices_for_Electricity_-_From_1_July_2013_to_30_June_2016

recent inclusion of Commonwealth Health Care Card Holders and retirement village residents in the eligibility criteria for the Low Income Household Rebate, which increased the reach and equity of the rebate system.

For many low income households, even with rebates and being conservative with energy usage, bill shock and a difficulty in keeping on top of bills is an issue. For this reason, CPSA recommends that rebates be indexed as a percentage of bills.

CPSA is however concerned about the low levels of awareness of rebates among eligible households. Many low income households are simply unaware such rebates exist and once they are made aware there can be difficulties in gaining access to them through their retailers. CPSA hears from constituents that retailers can make it difficult for them to obtain a rebate they're entitled to and also to constantly have to prove that they remain an Age Pensioner.⁵ This has particular implications for low income households because the rebate cannot be backdated. CPSA recommends a wider advertising of energy rebates. This could be through information being sent out through energy retailers or a partnership with NSW Centrelink offices to provide rebate information upon granting a Centrelink benefit. CPSA also recommends that rebates be able to be backdated for those who are unaware that they are eligible. Such a move would go a long way assisting low income people who have not been accessing a rebate to get on top of their bills. Alternatively, CPSA would be supportive of the money that has accrued being directed to the household (rather than the retailer) through a program that allows them to spend it on various energy saving measures, for example blinds, insulation, draft prevention or energy efficient appliances.

CPSA welcomed the NSW Government's commitment to regulating exit fees through a cap on what can be charged for early terminations of market electricity contracts. CPSA was very disappointed, however, that such a high exit fee of \$130 for cancellations within the first year was put forward by the Independent Pricing and Regulatory Tribunal (IPART), particularly in light of the fact that Victoria's exit fee cap is \$20.⁶ Such a high early termination fee cap limit discourages people from shopping around for a cheaper electricity deal (which is relevant in light of the fact that electricity prices are able to be increased within a contract period). It also disproportionately affects people living in insecure housing because energy contracts are invariably tied to the dwelling and cannot be easily relocated without penalty.

⁵ For an example of this please see <http://www.cpsa.org.au/cost-of-living/946-origin-energy-splitting-hairs-on-centrelink-recipients-names>

⁶ See CPSA's submission to the IPART Review on Early Termination Fees (2013) <http://www.cpsa.org.au/cost-of-living/cost-of-living-submissions/933-submission-to-the-ipart-review-on-early-termination-fees>