

National Seniors

Australia

Submission in Response to

***Regulated Retail Electricity Prices 2013-2014
Transitional Issues Consultation Paper***

January 2013

About National Seniors Australia

With a quarter of a million members Australia-wide, National Seniors is the consumer lobby for the over-50s. It is the fourth largest organisation of its type in the world.

We give our members a voice – we listen and represent our members' views to governments, business and the community on the issues of concern to the over 50s.

We keep our members informed – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

We provide a world of opportunity – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

We support those in need – as a not-for-profit organisation, we raise funds and redirect monies received to older Australians who are most in need.

We help our members save – we offer member rewards with discounts from over 7,000 business across Australia, we offer discount travel and tours designed for the over 50s, and we provide older Australians with affordable, quality insurance to suit their needs.

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Recommendations

- National Seniors supports a transitional approach to increasing Tariff 11 to cost-reflective prices.
- National Seniors supports the implementation of a three year transitional approach to increasing Tariff 11 to cost-reflective prices.
Conditional on:
 - The yearly increases are not permanently set at the beginning of the three-year period (there must be a mechanism which allows for adjustment of the yearly increase based on the impact on consumers).
 - A review of the full impact on consumers be conducted no sooner than 6 months after the introduction of the first increase.
 - A review of the full impact on consumers no sooner than 6 months after the introduction of the second increase.
 - Both reviews must assess the validity of applying cost-reflective charges to all consumers and consider if additional increases to the level of electricity rebates and concessions are necessary and consider if a separate tariff which sets prices at below cost-reflectivity be established for financially vulnerable consumers who do not have the ability to pay cost-reflective prices.
- National Seniors recommends that the current level of electricity concessions and rebates be increased to match the increases of Tariff 11.
- National Seniors recommends that all Queensland residents of retirement and residential villages have access to all electricity rebates.
- National Seniors recommends that the Queensland Competition Authority (QCA) and Queensland Government develop and implement an education program designed to educate all consumers on the rationale for increasing Tariff 11 and what steps consumers can take to safely reduce their electricity consumption.
 - The education program should include a component specifically tailored towards older Queenslanders.
- National Seniors recommends that low income, financially vulnerable consumers be provided with Smart Meters (at no cost) to assist consumers to reduce their electricity usage in an efficient and safe manner.
- National Seniors recommends that the QCA considers the impact of transitioning businesses from obsolete tariffs to cost-reflective tariffs will have on the end consumers' ability to pay the increased Tariff 11.

Introduction

National Seniors Australia (National Seniors) appreciates the opportunity to provide comment on the Regulated Retail Electricity Prices 2013-2014 Transitional Issues Consultation Paper. National Seniors believes that the supply of reliable electricity at a reasonable cost is an essential service that must be provided to all Queenslanders.

National Seniors supports the principle to rebalance the variable and fixed component of the electricity charges of Tariff 11, however National Seniors is concerned that the unfreezing of Tariff 11 and the subsequent increase in electricity charges, specifically an increase in fixed charges, will have a significant detrimental effect on older Queenslanders.

Older Queenslanders, including pensioners and self-funded retirees have already cut back on their electricity usage as a result of recent cost of living increases and are subsequently low electricity users (below 6,500 kWh per annum).¹

Older Queenslanders have limited capacity to pay higher electricity charges as they have fixed incomes streams. Electricity costs now account for a significant percentage of total household expenditure and these costs are quickly eroding the ability of seniors to maintain a dignified standard of living in retirement. National Seniors' research has revealed that nearly 750,000 seniors (aged 50 years and over) are spending half of their income on just three essential cost of living items including electricity.²

National Seniors members have reported that their fear of electricity charges has forced some seniors to restrict or stop completely their use of electrical appliances (predominantly heaters and air conditioners) in an attempt to reduce their electricity charges. These actions increase the likelihood of elderly Queenslanders suffering adverse health effects as a result of exposure to extreme temperatures.

The freezing of Tariff 11 was welcomed by National Seniors and has helped to defer some of the adverse impact of high electricity costs. However, caution must now be exercised to ensure that the transition to cost-reflective charges is implemented in a manner which does not disadvantage older Queenslanders who are already under considerable cost of living pressures.

National Seniors believes that only a phased increase to Tariff 11 across a number of years combined with corresponding increases to electricity rebates and concessions will allow older Queenslanders to manage the proposed increases in electricity costs.

¹ Australian Energy Regulator, 2012, *Average household electricity usage*, Australian Government
<http://www.energymadeeasy.gov.au/bill-benchmark/results/4655/2>

² National Seniors Australia, 2011, *Are Older Australians Being Short Changed?* National Seniors Productive Ageing Centre.

Our Position

Queensland Competition Authority Questions

Question (a) Should there be a transition to costs reflective charges for Tariff 11 or should Tariff 11 prices be made cost reflective from 2013-14?

The implementation of any increase to Tariff 11 must occur in a transitional phased approach across a number of years. Older Queenslanders **do not** have the financial capacity to bear a direct transition to cost-reflective pricing from 2013-2014.

A transitional phased approach is required to:

- provide consumers with the ability to adjust to the significant electricity price increases (approximately a 300% increase in current fixed charges); and
- allow for further analysis to occur to determine the full impact of the increase in electricity charges on financially vulnerable consumers, including older Queenslanders.

<p>Recommendation: National Seniors supports a transitional approach to increasing Tariff 11 to cost-reflective prices.</p>
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Question (b) If some form of transitioning is preferred, how might this best be achieved and why should this particular approach be adopted?

Three price adjustments increasing in size should occur across the three years 2013-2016. The first year adjustment should be no greater than 20 percent of the required increase to achieve cost reflectivity by 2015-2016.

Each subsequent year's percentage increase should **not be set permanently** at the beginning of the three year period. National Seniors believes that it is inappropriate to estimate the full impact of the proposed increase in electricity costs on consumers, especially older Queenslanders, years in advance.

A more appropriate approach would be to conduct a review no earlier than six months after the introduction of the first phased increase. The review should have objectives to:

- determine how consumers are coping with the increase;
- ensure that no consumer group is dramatically disadvantaged and ensure that the electricity price increase is not creating other social and health problems. For example, there is a risk that older Queenslanders (in an attempt to shield themselves from the significant price increase proposed) will not utilise air conditioning on hot days and expose themselves to heat stroke and heat-related exacerbation of other illnesses;
- determine an appropriate level of the next year's increase;
- assess the validity of applying cost-reflective charges to all consumers;
- consider if additional increases to the level of rebates and concessions are necessary; and

- consider if a separate tariff which sets prices at below financially vulnerable cost-reflectivity be established for financially vulnerable consumers who do not have the ability to pay-cost reflective prices.

Accordingly no earlier than six months after the introduction of the second year's increase a second review should be conducted with the same objectives as the first year review.

Recommendation: National Seniors supports the implementation of a three year transitional approach to increasing Tariff 11 to cost-reflective prices.

Conditional on:

- Yearly increases are not permanently set at the beginning of the three year period (there must be a mechanism which allows for adjustment of the yearly increase based on the impact on consumers).
- A review of the full impact on consumers be conducted no sooner than 6 months after the introduction of the first increase.
- A review of the full impact on consumers no sooner than 6 months after the introduction of the second increase.
- Both reviews must assess the validity of applying cost-reflective charges to all consumers and consider if additional increases to the level of rebates and concessions are necessary and consider if a separate tariff which sets prices at below cost-reflectivity be established for financially vulnerable consumers who do not have the ability to pay cost-reflective prices.

Question (c) What other issues should the Authority consider regarding the transition to cost reflective charges for Tariff 11?

Concessions and Rebates

To compensate financially vulnerable consumers for the proposed increase in Tariff 11, the current level of electricity concessions and rebates, including the pensioner and seniors rebate, must also be increased to ensure that the current concessions and rebates do not lose their value.

Each dollar increase in the average electricity bill should be offset with a matching dollar increase in the electricity concessions and rebates. This matching increase is considered appropriate as the proposed increase in Tariff 11 is derived from an increase in the fixed cost charges against which consumers cannot reduce their exposure.

Recommendation: National Seniors recommends that the current level of electricity concession and rebates be increased to match the increases in Tariff 11.

Queensland members of National Seniors have raised the inequality that exists for some residents of retirement and residential villages. Residents of some villages do not receive individual electricity bills and are not independently linked to the electricity grid. These residents do not receive the electricity rebates they

are entitled to as their ability to receive the financial assistance is dependent on village operators seeking the rebate on their behalf.

The introduction of the proposed transition of Tariff 11 to cost-reflective charges should be accompanied by the requirement that all Queensland residents of retirement and residential villages have access to all electricity rebates.

Recommendation: National Seniors recommends that all Queensland residents of retirement and residential villages have access to all electricity rebates.

Consumer Education Program

There remains much confusion and misunderstanding amongst consumers regarding electricity prices.³ The Queensland Competition Authority (QCA) and Queensland Government should develop and implement an education program designed to educate all consumers on the justification for increasing Tariff 11 and what steps consumers can take to safely reduce their electricity consumption to mitigate some of the impact of the proposed tariff increases.

The education program should include a component specifically tailored towards older Queenslanders. National Seniors advocates a face-to-face communication approach which many older Queenslanders prefer.

Recommendation: National Seniors recommends that the QCA and Queensland Government develop and implement an education program designed to educate all consumers on the rationale for increasing Tariff 11 and what steps consumers can take to safely reduce their electricity consumption.

- The education program should include a component specifically tailored towards older Queenslanders.

Smart Meters

Low income, financially vulnerable consumers, including older Queenslanders, will attempt to reduce their electricity usage to compensate for the proposed increase in fixed charges. The QCA and Queensland Government should provide Smart Meters (at no cost) to financially vulnerable consumers to assist consumers to reduce their electricity usage in an efficient and safe manner.

Recommendation: National Seniors recommends that low income, financially vulnerable consumers be provided with Smart Meters (at no cost) to assist consumers to reduce their electricity usage in an efficient and safe manner.

³ Queensland Council of Social Services, 2012, *QCOSS Energy Consumer Advocacy Project*, Queensland Council of Social Services.

Transition of Obsolete Business Tariffs

The electricity pricing delegation also requires the QCA to consider the implementation of transitional arrangements for obsolete business tariffs (including farming and irrigation) to cost-reflective tariffs.

The QCA must consider that any increase to these business tariffs will be passed on by the businesses to consumers. The majority of consumers pay Tariff 11; therefore the consumer's ability to pay the proposed increase in Tariff 11 will be impacted by any increases to the business tariffs.

<p>Recommendation: National Seniors recommends that the QCA consider the impact that transitioning businesses from obsolete tariffs to cost-reflective tariffs will have on the end consumer's ability to pay the increased Tariff 11.</p>

Conclusion

National Seniors supports the principle to rebalance the variable and fixed component of electricity charges. However, given that the majority of older Queenslanders are low electricity users with annual electricity usage below 6,500 kWh per annum, National Seniors is concerned that the proposed increases in Tariff 11 will have a significant detrimental impact on older Queenslanders.

It would be unjust if older Queenslanders who are already efficient users of electricity became worse off as a result of the proposed changes. There is the risk that older Queenslanders will dramatically reduce their electricity usage (in an attempt to shield themselves from the significant price increases proposed) to the extent that it could endanger their lives.

To ensure that older Queenslanders are not disadvantaged and endangered the QCA and Queensland Government should:

- Apply a transitional approach to increasing Tariff 11 to cost-reflective prices;
- Conduct an ongoing review of the yearly increases of Tariff 11 to ensure that the increases are not unreasonable and that older Queenslanders have the capacity to pay the increases;
- Maintain the current effectiveness of all electricity concessions and rebates by matching the increases in Tariff 11 with corresponding increases to concessions and rebates;
- Developing and implementing an education program designed to educate all consumers on the rationale for increasing Tariff 11 and what steps consumers can take to safely reduce their electricity consumption;
- Provide low income, financially vulnerable consumers with Smart Meters (at no cost) to assist consumers to reduce their electricity usage in an efficient and safe manner; and
- Consider the impact that transitioning businesses from obsolete tariffs to cost-reflective tariffs will have on the end consumer's ability to pay the increased Tariff 11.

The transitional approach will provide sufficient time to allow Queensland seniors to adjust their budget and electricity consumption to better manage the price increases.

The above approach will allow for the current Tariff 11 to be transitioned to an efficient cost-reflective tariff while also ensuring that older Queenslanders are not dramatically disadvantaged or endangered.

References

Australian Energy Regulator, 2012, *Average household electricity usage*, Australian Government <http://www.energymadeeasy.gov.au/bill-benchmark/results/4655/2> .

National Seniors Australia, 2011, *Are Older Australians Being Short Changed?* National Seniors Productive Ageing Centre.

Queensland Council of Social Services, 2012, *QCOSS Energy Consumer Advocacy Project*, Queensland Council of Social Services.