Energy at home. Issues for consumers.

Affordability, Efficiency, Advocacy.

Tony Westmore
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Australian Council of Social Service

Electricity is an essential domestic service

Electricity supports fundamental human needs including safe food (storage, preparation) and safe shelter (hygiene, lighting, temperature control).

Electricity supports equipment that is critical to wellbeing and independence (health, communication).

Beyond these fundamentals, electricity supports community engagement and family life (social interactions, employment, education).

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 a right rather than a privilege and access must be guaranteed as far as reasonably possible.

Affordable?

how much is consumed
at what price
capacity to pay

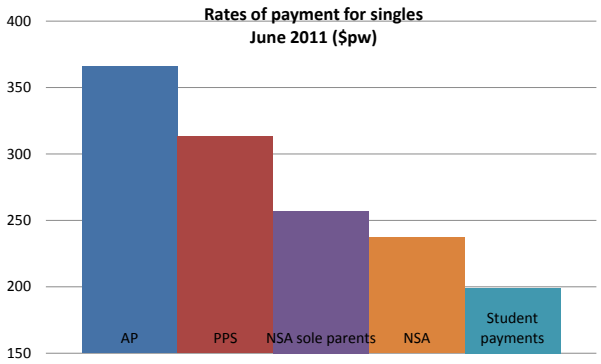
Affordable

how much is consumed and how much is produced
- and when
- and how metered
- and how efficiently

at what price
- and how much is produced
- and financing and feed-in arrangements

capacity to pay
- remains the same

Income support in Australia



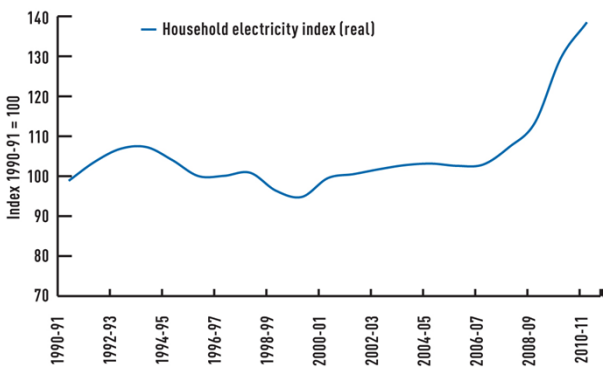
Note: AP is Age Pension, PPS is Parenting Payment Single (mainly for sole parents with children less than 8 years old), NSA sole parents is Newstart Allowance for sole parents (those with children over 7 years), NSA is Newstart Allowance, and student payments refers to Youth Allowance and the Austudy and Abstudy Payments.

CPI subcategories, 2000 – 2010

Annual	CPI	Rents	Utilities	Electricity	Gas and other household fuels	Water and sewerage
2000	128.4	127.3	127.8	123.8	141.2	107.3
2001	134.0	131.4	135.0	132.4	142.7	109.6
2002	138.1	134.5	140.6	137.1	150.5	113.9
2003	141.9	137.1	158.2	145.1	159.8	118.6
2004	145.2	140.5	153.0	147.9	168.8	123.1
2005	149.1	143.7	158.7	152.1	177.5	128.3
2006	154.4	148.3	165.4	156.4	185.5	136.7
2007	158.0	156.4	173.0	163.5	193.0	144.2
2008	166.2	168.6	189.4	179.9	208.6	158.0
2009	167.9	179.9	211.6	201.5	226.5	179.9
2010	172.6	187.7	239.9	232.0	246.8	203.9
Change	44.2	60.4	112.1	108.2	105.6	96.6
% increase	34.4%	47.4%	87.7%	87.4%	74.8%	90.0%

Table 1: CPI subcategories, 2000 – 2010
SOURCE: Australian Bureau of Statistics: Consumer Price Index 2000 – 2010.

Changes in electricity price index



Source: Australian Bureau of Statistics, Consumer price index for electricity (Category 6401.0)

Payment Rates, 2000 – 2010

	Newstart Allowance*		Age Pension	Youth Allowance		
	Single, 21+, no children	Partnered	Single	Under 18, at home	Under 18 & over 18, away from home*	**18+, at home**
Mar-00	$331.60	$299.10	$372.00	$148.00	$270.30	**$177.90**
Mar-01	$357.80	$322.80	$402.00	$158.80	$290.10	**$190.90**
Mar-02	$369.00	$332.80	$421.80	$165.10	$301.70	**$198.60**
Mar-03	$380.10	$342.80	$440.30	$169.70	$310.10	**$204.20**
Mar-04	$389.20	$351.10	$464.20	$174.30	$318.50	**$209.70**
Mar-05	$399.30	$360.30	$476.30	$178.70	$326.50	**$214.90**
Mar-06	$410.60	$370.50	$499.70	$183.20	$334.70	**$220.30**
Mar-07	$424.30	$382.80	$525.10	$190.50	$348.10	**$229.10**
Mar-08	$437.10	$394.40	$546.80	$194.50	$355.40	**$233.90**
Mar-09	$453.30	$409.00	$569.80	$203.30	$371.40	**$244.40**
Mar-10	$462.80	$417.70	$644.20	$206.30	$377.00	**$248.10**
Increase ($)	$131.20	$118.60	$272.20	$58.30	$106.70	**$70.20**
Increase (%)	**39.6%**	**39.7%**	**73.2%**	**39%**	**39.5%**	**39.5%**

Table 2: Payment Rates, March quarter, 2000 – 2010
All amounts per fortnight payments * May be eligible for Rent Assistance
SOURCE: Centrelink: A guide to Commonwealth Government payments, March–July 2000 – 2010.

Energy, fuel and water service costs for Australian households: ABS Household Expenditure Survey

Energy supply – electricity and gas*

		Lowest 20 per cent	Second 20 per cent	Third 20 per cent	Fourth 20 per cent	Highest 20 per cent	Average
2009-10	$/week	22.34	28.11	31.44	36.55	44.21	32.52
	% expenditure	4.00	3.45	2.69	2.47	2.05	2.63
2003-04	$/week	16.4	20	23.27	25.46	31.68	23.59
	% expenditure	3.97	3.31	2.71	2.34	2.11	2.64
1988-89	$/week	12.85	15.87	17.72	19.85	23.08	17.87
	% expenditure	3.75	3.29	2.73	2.33	1.97	2.56

*Note ABS describes it as fuel and power, and it also includes purchase of wood, heating oil etc
ABS (2011) *ABS Household Expenditure Survey;* ABS (2006) *ABS Household Expenditure Survey;* ABS (2000) *ABS Household Expenditure Survey.*

Indicators of financial stress

Unable to raise $2000 in a week for something important
Spent more money than received
Could not pay electricity, gas or telephone bills on time
Could not pay car registration or insurance on time
Pawned or sold something
Went without meals
Unable to heat home
Sought assistance from welfare/community organisations
Sought financial help from friends or family
Could not afford holiday for at least one week a year
Could not afford a night out once a fortnight
Could not afford friends/family over for a meal once a month
Could not afford a special meal once a week
Could only afford second hand clothes most of the time
Could not afford leisure or hobby activities

11 Persons living in households, main source of income is government pensions and allowances(a), Financial stress indicators, 2009-10

	RECEIVES GOVERNMENT PENSIONS AND ALLOWANCES					
	Age pensions	Disability and carer payments	Unemployment and study payments	Family support payments	Other payments	Total
	%	%	%	%	%	%
Number of indicators of financial stress experienced by households in last 12 months						
None	53.6	23.7	*9.2	8.8	39.3	31.5
One	16.2	11.7	*6.5	6.7	18.4	12.2
Two	8.8	7.6	*5.5	7.4	*9.6	8.0
Three or more	21.4	57.0	78.7	77.0	32.7	48.3
Proportion of persons in household that experienced indicator in last 12 months						
Unable to raise $2000 in a week for something important	13.7	45.0	56.8	57.0	19.8	34.5
Spent more money than received	10.3	20.3	36.7	31.2	19.5	21.6
Could not pay electricity, gas or telephone bills on time	5.5	24.9	40.0	43.4	12.9	23.6
Went without meals	*0.9	7.4	*13.0	12.4	*2.1	7.4
Unable to heat home	*1.8	8.4	*10.0	8.8	**6.3	5.6

* estimate has a relative standard error of 25% to 50% and should be used with caution
** estimate has a relative standard error greater than 50% and is considered too unreliable for general use
(a) See glossary for further details of payment groups

12. Persons living in households, whether receives government pensions and allowances, Financial stress indicators, 2009-10

	RECEIVES GOVERNMENT PENSIONS AND ALLOWANCES				
	Main source of income gov. pensions and allowances	Other main source of income	Total	Does not receive gov. pensions and allowances	All persons
	%	%	%	%	%
Number of indicators of financial stress experienced by households in last 12 months					
None	31.5	45.6	40.8	66.5	51.6
One	12.2	17.7	15.8	16.2	16.0
Two	8.0	10.7	9.8	6.8	8.5
Three or more	48.3	26.0	33.6	10.5	23.9
Proportion of persons in household that experienced indicator in last 12 months					
Unable to raise $2000 in a week for something important	34.5	15.7	22.1	6.1	15.4
Spent more money than received	21.6	19.4	20.2	11.3	16.4
Could not pay electricity, gas or telephone bills on time	23.6	17.1	19.4	7.6	14.4
Went without meals	7.4	1.8	3.7	1.4	2.8
Unable to heat home	5.6	1.1	2.6	*0.4	

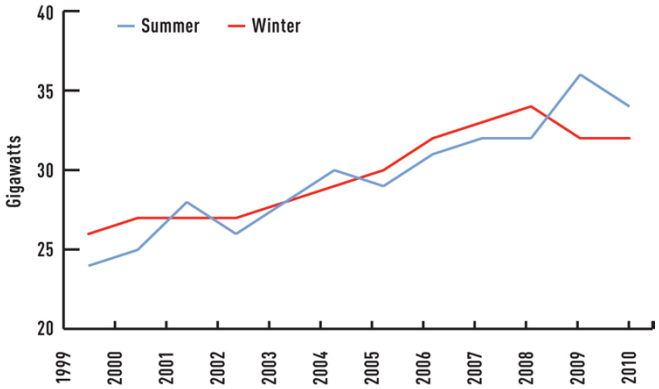
8226.0 - Electricity, Gas, Water and Waste Services, Australia, 2006-07 **PROFITABILITY AND EARNINGS**

Major indicators of profitability showed limited movement during the year. Earnings before interest, tax, depreciation and amortisation (EBITDA) of the electricity supply industry in 2006-07 was virtually stable, at $9.4b. Operating profit before tax (OPBT) increased by 6% (or $184m).

Electricity generation and **Electricity distribution** made similar contributions, 41% ($3.8b) and 40% ($3.7b) respectively, to the electricity supply industry's EBITDA. In terms of OPBT, **Electricity distribution** accounted for 59% ($3.0b) and **Electricity generation** 29% ($1.5b).

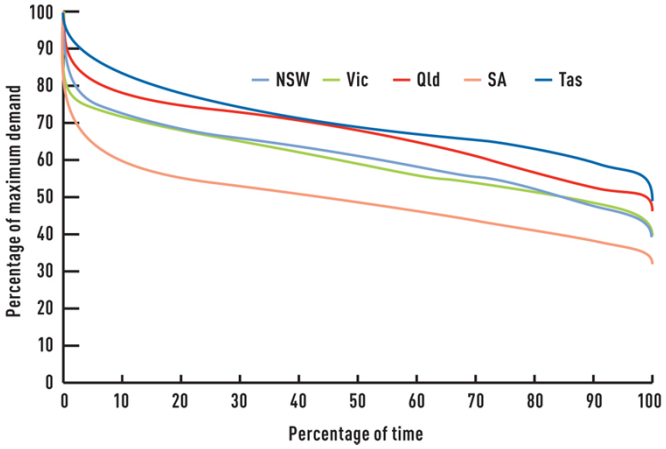
The electricity supply industry returned a profit margin of 12.8% in 2006-07. Profit margins within the industry ranged from 1.2% in **On selling electricity and electricity market operation** to 22.2% in **Electricity distribution**.

Peaks



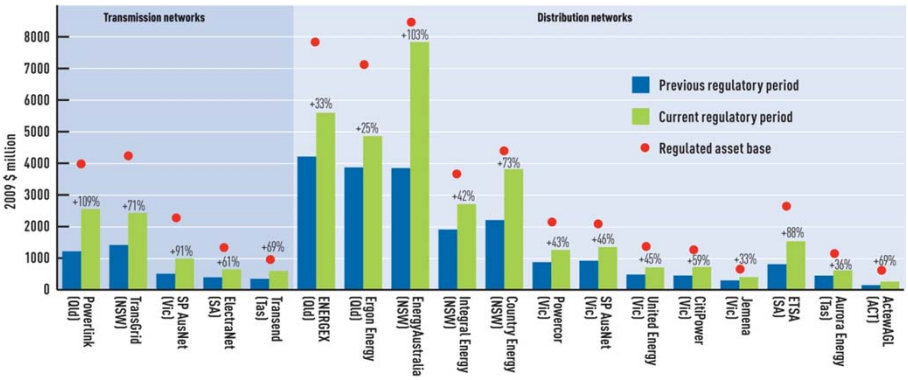
Source: Australian Energy Regulator, State of the Energy Market 2010

Peaks and time

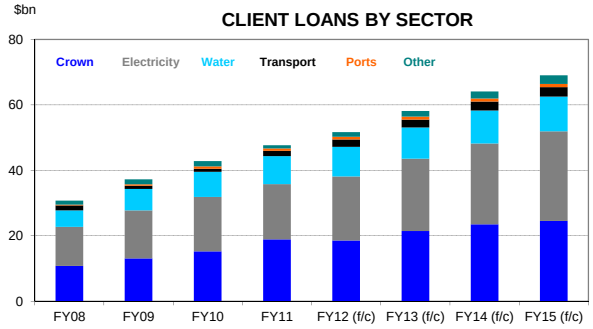


Source: Australian Energy Market Operator, 2011 Electricity Statement of Opportunities for the National Electricity Market

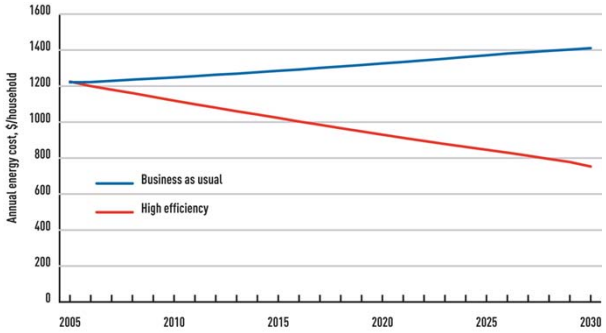
Network investments



Treasury Corporation New South Wales
Client Loans by Sector as at 31 August 2011
Growth in client funding requirements continues to reflect the impact of infrastructure investment by the public trading enterprise sector



Energy efficiency: prospects



Constant prices were assumed for energy for both scenarios and over time. It was assumed electricity would cost 12 cents/kilowatt-hour and average annual fixed supply charge was $90, while gas price was $11/Gigajoule with $85 annual fixed supply charge. Wood was priced at a low price of $40/tonne to reflect the fact that a large proportion of wood is collected free.

Opportunities to fix

National Energy Strategy: the white paper

Objective

To build a secure, resilient and efficient energy system* which:

Provides accessible, reliable and competitively priced energy for all Australians

Enhances Australia's domestic and export growth potential, and

Delivers sustainable and clean energy

Improving energy productivity

Efficient demand side responses through price signals and market incentives

Addressing non-price barriers to energy efficiency

Opportunities to fix

Australian Energy Market Agreement

AEMC: Strategic Priorities Project, Power of Choice - Stage 3 DSP Review, AER proposed Rule change

National energy savings initiative – work proposed develop

Reassessments of reliability standards

Resources for consumer advocacy

ESAA: 2008-09 electricity supply industry contributed $17.2 billion to GDP.

ESAA :8,887,057 electricity customers in the NEM including 1,020,575 'business' customers where they are identified separately ie all jurisdictions except Tasmania).

The Department of Resources, Energy and Tourism was budgeted to spend more than $357 million in financial year 2010-11, up from $220 million in 2009-10, on Energy Related Initiatives and Management.

The Australian Energy Market Commission spent in excess of $15 million in financial year 2009 up from $11.5 million to 30 June 2008.

Consumer Advocacy Panel budget for 2011-12: $2,964,324
$2,546,620 for its grants program, $417,704 for administration

cost of Panel-funded advocacy and research, per electricity customer in the NEM, is **$0.24** ($1,866,394 for 7,866,482 customers).

Work

national framework for retail and distribution: implementation of the NECF, maximising benefits, engagement with regulators, retailers and jurisdictions

energy efficiency: policy, technical and regulatory approaches, models for program delivery, appliances and relationships with networks

renewable and distributed generation: costs and benefits, system and network implications, equity issues

national energy policy: security, reliability and sustainability contextualised by the essential nature of the service and affordability

smart networks, smart meters: implications for consumers re cost, identification of benefits, product offerings, implications for distribution price reviews

a carbon price: what it means for energy consumers, costs and benefits of options, implications for consumer prices, community consensus

consumer advocacy: coordination of residential consumer advocacy, facilitation participation in processes, strategy, transition to new approaches.

acoss