



Queensland Productivity Commission
PO Box 12112
George St QLD 4003

Dear Sir/Madam

Re: MS Queensland response to Queensland Productivity Commission (QPC) Electricity Pricing in Queensland

MS Queensland welcomes the opportunity to respond to Queensland Productivity Commission (QPC) Electricity Pricing in Queensland and supports the objectives of the Inquiry particularly the objectives of fairness and equity and minimising impacts on vulnerable customers together with the promotion of the long-term interests of electricity consumers, putting downward pressure on electricity prices and the promotion of renewable energy sources.

MS Queensland's vision is a world free from multiple sclerosis (MS) and its devastating impact. We exist to help people living with MS to get the best out of life; to advocate for change and search for a cure and raise funds for MS Research. Our mission is to be the first-choice for MS information, education, treatment, care and support for equitable service delivery across Queensland.

MS is typically a progressive and unpredictable and incurable neurological disease that is diagnosed when young, between the ages of 20 and 40. Although we do not yet fully understand why some people are susceptible and others are not, we do know that more than 23,000 Australians have MS – almost 4,000 in Queensland.

Heat intolerance is a major medical problem affecting people with multiple sclerosis. As little as 0.2–0.5°C increase in core body temperature significantly increases MS symptoms, and significantly reduces the capacity of people with MS. Consequently, energy use is a significant issue for people with MS and, as such, acknowledgement and understanding across Industry and cost effective Policy and community service obligations must be adopted. Such measures will ensure individuals in Queensland who have a medical condition that presents a non-discretionary need to keep cool are met with equitable and efficient outcomes to maximise the efficiency of cooling for these households to minimise the economic and environmental costs.

Please find further feedback in response to the Queensland Productivity Commission (QPC) Electricity Pricing Inquiry, and the corresponding experience of MS Queensland in providing support to people living with MS and other medical conditions* affected by the heat who have a non-discretionary need to use energy.

If you have any queries or require any further information, please do not hesitate to contact me on 07 3840 0801.

Yours sincerely

Lincoln Hopper
CEO
MS Queensland

*other cooling/heat intolerant medical conditions include:

Cerebral Palsy	Chronic Fatigue	Fibromyalgia	Lymphoedema	Motor Neurone Disease
Muscular Dystrophy	Parkinson's Disease	Poliomyelitis and Post-Polio Syndrome	Quadruplegia	
Scleroderma	Systemic Lupus Erythematosus			

About multiple sclerosis (MS) and MS Queensland

MS Queensland is a leading non-profit organisation founded in 1958.

Our mission is to be the first-choice for multiple sclerosis (MS) information, education, treatment, care and support across Queensland.

We exist to help people living with MS to get the best out of life; to advocate for change and to search for a cure.

MS varies significantly from person to person symptoms may include heat sensitivity, severe pain, walking difficulties, debilitating fatigue, partial blindness or thinking and memory problems. No two people will share the same disease path. For some people, it is a disease that comes and goes in severity with periods of unpredictable relapse and remission. For others it is a progressive decline over time. No two cases of the condition are the same and there is no known cure for MS. For all, it is life changing.

Representing energy issues for people living with MS and heat affected medical conditions common needs exist amongst this significant population and consequently there is a need to ensure that recommended policy issues are highlighted to support the needs of people living with MS to remain socially and economically active members of their community.

MS, Heat Intolerance and Energy needs

Heat intolerance is a major medical problem affecting people with multiple sclerosis. As little as 0.2–0.5°C increase in core body temperature significantly increases MS symptoms, and significantly reduces the capacity of people with MS to participate in social, household and work activities, as well as increasing their need for pharmaceuticals and medical services. Consequently the use of air conditioners, with all associated purchase and operating costs, is usually a necessity for people with MS; however due to the financial cost of purchase and financial cost of running air conditioning some MS households do not have an air conditioner and must rely on fans or cooling assistance.

People with MS face significant disease-related expenses that must generally be met from lower than average incomes as a consequence of their MS (Covance & Menzies Research Institute Tasmania 2011).¹ Additionally, the rapidly rising costs of electricity they require to keep cool, along with the growing number of hot days and nights due to climate change (BOM & CSIRO 2007)² create an increasingly difficult financial burden for many people with MS.

The Keeping Cool Survey: Air Conditioning Use by Australians with MS, Public Policy Related Results & Recommendations, Dr Michael Summers & Dr Rex Simmons, 2009,³ found that 90% of the 21,000 people with MS in Australia are sensitive to heat, and run their air conditioners more frequently and for longer periods than most Australians. Nationally, people with MS averaged 1557 hours of air conditioner use annually.

Research conducted for The Keeping Cool Survey in 2009 suggests that people with MS might run their air conditioners 14 times as much as the average Australian household. Economic modelling estimated that average costs for people with MS across Australia from September to April for running their air conditioners were between \$520 and \$693 (based on \$0.15 and \$0.20 per kWh respectively). Not surprisingly costs are higher in the hotter areas with Queensland facing higher costs (\$823–1097 in QLD) and lower in cooler areas (\$296–395 in ACT).

¹ Covance & Menzies Research Institute Tasmania 2011, *Economic Impact of Multiple Sclerosis in 2010, Australian MS Longitudinal Study*, prepared for MS Research Australia, Chatswood NSW.

² Climate Change in Australia CSIRO. II. Australia. Bureau of Meteorology 2007

³ Summer M, Simmons R. Keeping cool survey; air conditioner use by Australians with MS. Public policy related results and recommendations

For 2007 the estimated average cost of cooling for all Australian households was \$117–156. This indicates that on average people with MS are estimated to spend almost 4.5 times more on keeping cool than the average Australian household.

Further to this study and its results, from 2008-2009 Keeping Cool Survey: Air Conditioner by Australians with MS research, has been carried out in partnership between the University of South Australia and MS Australia, *Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014*, to develop a more accurate understanding of electricity consumption patterns in MS households particularly in relation to their need to keep cool to avoid increasing their MS symptoms. Although the initial 2008-2009 survey included responses from 2,385 households of people with MS, it was only able to document their perceived air conditioner use. The October 2014 Report goes several steps further and actually examines energy bills in 38 households of people with MS.

This research provides an example of a large group of data available for people with heating or cooling issues and also provides an important national data set of which access to raw data is available to look at information for modelling of tariffs for further expert dissemination of this critical information. A copy of the University of South Australia and MS Australia, *Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014*, has been attached for your information.

Economic Impact of MS on Households

Many people with MS struggle financially. In 2010 the average annual disease-related costs to people with MS and their families in Australia was \$10,554 (\$3,697 out-of-pocket and \$6,857 for informal care). There were also significant indirect costs, such as loss of income, which averaged over \$23,000 annually. These findings by Covance and Menzies Research Institute of Tasmania (2011) also observed that direct and indirect costs increase with severity of MS.

While most people with MS are employed when first diagnosed, and 87% are of working age, 80% of these are not employed 10 years after diagnosis (Access Economics 2005). Consequently, 52% of Australians with MS have annual incomes below \$26,000 (Australian MS Longitudinal Study, unpublished data).

The end result is that ultimately most people with MS end up on fixed incomes, often provided through part and full government pension benefits. This combination of low incomes and the high economic costs of MS mean that concessions such as energy rebates are often a critical financial factor in their daily lives, and in their ability to keep cool during hot weather.

From the University of South Australia and MS Australia, *Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014* findings in the study regarding households that include people with MS with non-solar homes, summer electricity use showed that those using more than the state or post code average, which was 60% of the sample, used about 80% more electricity while the rest used about 18% less. The latter were predominantly found to have introduced energy savings initiatives and were careful about energy use. Further information is attached in the University of South Australia and MS Australia, *Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014* attached.

Climate

Air conditioner use to keep cool is a direct response to day-to-day weather by people with MS in Australia (Verikios, Summers, Simmons 2013⁴). With an increasing number of hot days and nights, and more frequent and more severe heat-waves, the use of electricity increases for people with MS in their efforts to keep cool, pushing up costs to a group already under considerable economic pressure.

Climate change is leading to an increased frequency and severity of heat waves (Saman et al 2013)⁵. Spells of several consecutive days of unusually high temperatures have led to increased morbidity and mortality rates for the more vulnerable in the community. The problem is compounded by the escalating energy costs and increasing peak electrical demand as people become more reliant on air conditioning. Domestic air conditioning is the primary determinant of peak power demand which has been a major driver of higher electricity costs.

Research conducted on behalf of people living with MS through survey conducted in 2014 and research conducted MS Australia Keeping Cool Survey: Air conditioner Use by Australians with MS Public Policy Related Results & Recommendations⁶ and Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling⁷ for people living with MS and other PND confirmed that given the much higher than average energy use and costs in most homes with a person living with MS, there is a need for improved access to energy efficiency advice, and specific programs targeted at people who require cooling/heating as a consequence of medical need would be particularly valuable to this group and other vulnerable members of the community that experience difficulty understanding their energy bill.

From a MS Queensland Energy Use Survey conducted in 2014 almost 50% would like to learn more about the energy market in Queensland.

The impact of the progressive neurological diseases on individuals, their families and the community can undermine the resilience that is needed for individuals to remain purposeful and in control of their lives. The characteristics of progressive neurological disease (PND) can threaten the sustainability of friendships, social interactions and partnerships – any many relationships fail thus causing further isolation and increased reliance on social services.

Due to the comprehensive nature of MS and other PND's a whole of life approach needs to be taken with timely access to services from the health, disability and aged care sectors.

Please find the response from MS Queensland to the Queensland Productivity Report Electricity Pricing in Queensland where MS Queensland can provide appropriate information to the Issues Paper.

⁴ Verikios, G., Summers, M.P. & Simmons, R. 2013, *The Costs of Keeping Cool for Australians with Multiple Sclerosis*, Australian Economic Review, vol. 46, no.1, pp. 45-58

⁵ Saman, W, Boland

⁶ MS Australia Keeping Cool Survey: Air conditioner Use by Australians with MS Public Policy Related Results & Recommendations Dr Michael Summers & Dr Rex Simmons 2009

⁷ Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014 University of South Australia and MS Australia

Productivity in the Electricity Supply Chain

Question 2.9 What is the best way to recover the network costs associated with demand from electricity customers more efficiently and equitably?

All electricity customers are not equal. The introduction of reflective tariffs will be considerable to many Queensland households and for people with a medical need to keep cool even greater ramifications may be incurred.

In this changing policy environment current policies and programmes must be designed to provide support for vulnerable consumers.

Safety nets need to be provided for people who have a medical need to use energy to provide equity that the changes in the energy market will bring. All stakeholders have different strengths; the best outcome for vulnerable customers is likely to be achieved from each stakeholder working in a coordinated manner to address vulnerable consumer needs.⁸

For vulnerable consumers navigating the energy market is a very complex task and or time consuming. Important gaps exist which need to be addressed between what policy makers expect of customers and what customers are able to do to manage their bills.⁹

Question 2.14 How should the costs associated with implementing new technologies be shared between the businesses and consumers?

The evolution of the energy market is one of the biggest reforms in the energy sector. For vulnerable consumers, for example people living with MS who live with a disability; simultaneously the biggest reform to the disability sector is taking place with the introduction of the NDIS. For both of these massive policy changes, development of trust, accessibility, engagement, awareness, collaboration and certainty must all be elements to be included in the education process for this targeted group of people and all vulnerable consumers.

Ultimately, individuals must have the ability to engage in the market with transparency of information.

Question 2.16 What are the barriers to improving consumer interest and participation in the electricity market?

Through experience of the introduction of Medical Cooling and Heating Electricity Concession Scheme in 2010, no budget was allocated to advertise the critical rebate for people living with a medical condition which requires the use of electricity for cooling or heating.

Information must be accessible and the highest level of engagement must be undertaken to ensure barriers such as lack of awareness due to many factors but not discounting no internet access, lack of engagement, understanding or vision of changes currently being undertaken in the electricity market and every person and household will be a part of the change that is currently taking place.

⁸ Houston Kemp Economists, *Supporting Vulnerable Energy Customers*, An Options Paper for the Energy Networks Association, 20 March 2015, p 4

⁹ Houston Kemp Economists, *Supporting Vulnerable Energy Customers*, An Options Paper for the Energy Networks Association, 20 March 2015, p 20

Question 2.28 What should be the focus for state regulation (Electricity Act and other legislation) to complement harmonised inter-jurisdictional energy law?

Queensland households with Healthcare concession card do not receive rebates as in other States.

Concession arrangements are not consistent across Australia. In Queensland there is a focus on pensioners and seniors, which does not include vulnerable family demographics.

St Vincent de Paul Tariff-tracking Project recommends measures that would better educate customers to support changing network prices. St Vincent de Paul recommends that the Energy Retail Association of Australia (ERAA) provide a consistent language of explaining contract components, standardise bill presentation and take steps to increase bill transparency and reduce confusion. It is suggested that due to the broader range of tariff structures used in deregulated markets there is a need to shift to percentage based rebates as are currently applied in Victoria.¹⁰

DEREGULATION IN SOUTH EAST QUEENSLAND

Question 3.3 What risks might consumers face in a deregulated SEQ market, and how might these risks be mitigated?

Consumers face the risk that there is an assumption that all consumers are equal. Education strategies and consumer understanding are just some of the key elements that are required to be included in a deregulated South-East Queensland market to ensure a level playing field is established for all consumers to participate and must be established prior to introduction of deregulation in South-East Queensland.

Successful participation programs that have been conducted in other States prior to deregulation should be consulted; however it is essential that consumer protections are also maintained. Assistance for information, access and awareness must come via targeted government initiatives eg Energy helpline funded by retailers for not-for-profits to offer advice to their clients.

Question 3.9 In what way could the tools, information and support available to assist residential and small business customers in SEQ to participate in the retail electricity market be improved better targeted?

Each stakeholder plays a part in addressing customer and particularly vulnerable customer needs. Consumer engagement needs to be a pre-condition to the introduction of deregulation. As at November 2015 only limited deregulation consumer engagement had commenced.

Studies that have been undertaken focussing on vulnerable customers in the energy market with recommendations for a review of existing policies and programs to support vulnerable customers. A need for a coordinated national framework that draws on particular roles and areas of expertise of each party involved in the support of vulnerable customers.

It is recommended a national framework should harmonise government funded support, customer funded assistance and market development and clearly define the goals of each party involved in the support of vulnerable customers.

There should be clearly defined objectives for a national framework, which focus on equality, fairness and the promotion of economic efficiency. It is recommended that the objectives of the national framework should be consulted on with stakeholders prior to finalisation.

¹⁰ St Vincent de Paul & Alviss Consulting, St Vincent de Paul Society – National Electricity Market ‘Wrong way go back?’ Observations from the Vinnies Tariff-Tracking Project, September 2014.

The current national framework covering retailer hardship (i.e. the NECF) where each authorised retailer must develop, maintain and implement a customer hardship policy for their residential customers. It is expected that the NECF would be integrated in a holistic national framework for supporting vulnerable customers, i.e. in conjunction with energy concessions, tariff design, programs targeting energy literacy/efficiency etc.

A national customer framework should:

- Provide a common set of principles for supporting vulnerable customers, based on the objectives of promoting equality and fairness of support, while promoting efficient use of electricity; and
- Minimise the extent of overlap between stakeholders in the current approaches to providing support for vulnerable customers, i.e. each party would have clearly defined roles.

Examples of the types of principles that are believed to be important for a national framework include that support for vulnerable customers should:

- Be provided by the party with the most appropriate skills and experience, within a framework where roles and responsibilities of all parties are clearly defined and well understood;
- Ensure that customers with similar characteristics (eg usage profile, medical conditions) receive similar support, regardless of the jurisdiction within which they reside;
- Be based on clear eligibility criteria, including a new eligibility criteria for low income households that are unable to respond to price signals and so become vulnerable;
- Maintain incentives for efficient use of the electricity network, commensurate with the costs imposed on the network;
- Take into account the limited understanding of energy tariffs available for vulnerable customers; and
- Facilitate vulnerable customers accessing the benefits of retail market competition through retail switching and the provision of information on tariff structures that lower bills given their particular circumstances; and
- Remove impediments to retail switching by customers on retail hardship programs.

These principles are based on good economic practice, a review of current schemes and discussion with a number of stakeholders.¹¹

Question 3.10 What is the role for government, retailers and consumer groups in promoting greater customer participation should retail electricity price deregulation in SEQ eventuate?

With greater customer participation customer protections must be maintained and it is timely for review. Through working together to support customer groups Government, retailers and consumers groups will be more connected with a shared collective vision of different customer profiles. A goal of deregulation is customers will drive change. As previously mentioned, not all consumers are equal and may not have the time, awareness or ability to interact with such a fluid change to the energy environment.

Critical to any review of current schemes in place, particularly to support vulnerable consumers is the need to define vulnerable customers and better understand the diversity of these customers.

Meaningful supports must be provided. Whilst a dynamic environment is the ambition a 'vanilla offer' should be considered to provide greater customer participation and engagement for all customers due to constraints outlined above.

¹¹ Houston Kemp Economists, *Supporting Vulnerable Energy Customers*, An Options Paper for the Energy Networks Association, 20 March 2015, p16,17

From a societal perspective this raises a number of public policy issues and challenges:

- ensuring that community service obligations to people who are heat intolerant are met in a way that is effective and equitable;
- maximising the efficiency of cooling for these households to minimise both the economic and environmental costs;
- Ensuring consumers are able to access information to equip financially be able to understand the fast changing consumer electricity environment and its impact to each consumer

These public policy issues and challenges must be resolved in ways that will continue to be effective and equitable in a rapidly changing policy environment which includes:

- the development and implementation of Retail Electricity Prices
- the implementation of new technology eg smart meters, electronic interval meters;
- rapidly increasing electricity costs now and into the foreseeable future; and
- more hot days and nights nationally, increasing the need for medical cooling and the associated increasing costs for households.

CUSTOMER PARTICIPATION AND SUPPORT

Question 5.1 What are the barriers to improving consumer participation in the electricity market?

Accessibility and understanding of information. Customers must be aware of the changes that are proposed and provided with tools to be able to engage at the highest level.

Question 5.3 What is the existing level of consumer knowledge and understanding of new electricity sector business models, products and services and technologies?

From a *MS Queensland Energy Use Survey* conducted in 2014, almost 50% would like to learn more about the energy market in Queensland.

Anecdotally, from conversations with colleagues, clients, friends and relatives no one in this identified group is aware of any of the above stated elements of the new electricity sector.

Question 5.4 How will future developments, including changes in technology and the growth of new markets and business models, influence customers participation in electricity markets?

For many customers navigating the energy market is a very complex task or time consuming leading to gaps between what policy makers expect of a customer and what customers are able to do to manage their bills.

All customers must be equitably enabled to be a part of this change to the energy sector. It has been acknowledged that there is a likelihood of a new category emerging of vulnerable customer because of their inability to alter energy usage behaviour. There are many different variants of vulnerable consumer.

Developing and implementing effective responses to the need for people with MS and other heat intolerant conditions to keep cool involves actions by individuals; families; health, community and professional organisations that work with them; energy retailers and suppliers; and governments at all levels.

Closer vision needs to be given to support vulnerable customers with a need to define 'vulnerable' customers and to better understand the diversity of these customers and the profiles they exhibit.

5.5 What are the key information gaps in consumer knowledge and understanding of electricity markets?

Customers living with a medical condition that require energy use to control their body temperature to maintain their health require an added level of understanding to interact effectively with electricity markets and how different offers will interact eg with air conditioner or fan? The number of people in their household? Energy efficient appliances in the household, the age of products/technology in the home, what technology is available to be adapted in the home.

There are still many homes that do not have internet so are unable to access online tools. Having trusted partners, such as funded positions in not-for-profit organisations that consumers can readily consult for assistance is essential. With everyone exercising a part to play network businesses are best to contribute to the support of vulnerable customers and provide necessary assistance to bridge these gaps in knowledge and understanding.

5.8 In what ways could customers be better supported and equipped to understand and accept more cost-reflective tariff structures?

Ensuring information is accessible, certainty is given, trust is established with retailers and partners in the supply chain for energy, fairness and equity is established and targeted to customers - particularly vulnerable customers.

For people with a medical need to use energy, prior real-time evidence of how metering charges will be applied to a person who requires full time use of their air conditioner would allow targeted information and engagement.

All customers are not equal and their household energy use is impacted by, at times external factors outside of their control. For example for customers who do not own their home they have limited ability to affect the energy efficiency of their home including purchase of energy efficient air conditioner.

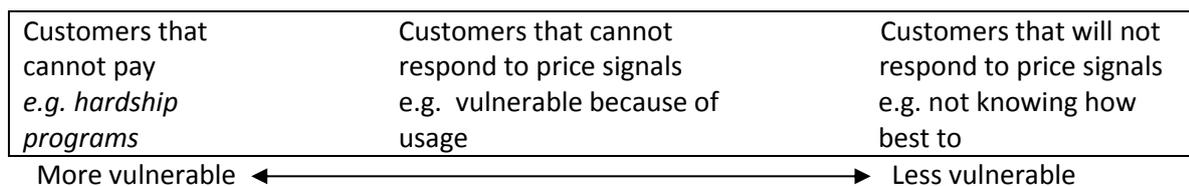
Targeted assistance needs to be investigated for people with a medical need to use energy. This vulnerable household group together with other vulnerable household groups can have programs structured in different ways including directly improving energy efficiency of housing stock and /or appliances (i.e. retrofitting) or assisting vulnerable customers to upgrade their own appliances/insulation (i.e. subsidising). Examples of targeted assistance like this can have the potential to decrease the future concession burden on governments by reducing the load of vulnerable customers, particularly were a percentage-based concession is in place.

5.11 What strategies or safeguards could support low-income and vulnerable consumers in the transition to new tariff structures?

Ensuring information is accessible, certainty is given, trust is established with retailers and partners in the supply chain for energy, fairness and equity is established and targeted to customers, particularly vulnerable customers.

The changing energy environment must provide adequate support arrangements that have not been kept fluid in the dynamic market and gaps in support arrangements have meant that some customers are not considered vulnerable and therefore not eligible for support.

A clear understanding of the concept of continuum of vulnerability¹² is essential for all participants in the energy market from:



For a dynamic and responsive holistic framework to exist current policies and programmes to support vulnerable customers need to be designed to provide support in the current and changing electricity and gas environments.

Alternative options for improving the assistance to vulnerable customers must be considered including:

- Harmonisation of the value of financial assistance across jurisdictions, addressing gaps in assistance and replacing lump sum concession payments with payments based on a percentage for the energy bill;
- Governments to consider eligibility for financial assistance to be more targeted – consideration for the feasibility of a *medical conditions that require high energy use as a consequence of medical need* to receive a targeted rebate
- Governments to address the needs of customers with long term vulnerability or clusters of vulnerable customers through providing assistance for household or community investments (eg insulation, technology to manage their use, energy efficiency) in place of paying financial assistance;
- Networks (where smart meters are installed) could consider options for providing greater access to information for all customers (vulnerable and non-vulnerable alike) that will enable them to make more informed choices and choose the most appropriate retail tariff for their circumstances; and
- Networks could consider the case for and against social tariffs, as an option to assist vulnerable customers, and their potential usefulness in enabling the transition to more cost reflective network pricing.

These findings by *Houston Kemp Economists, Supporting Vulnerable Energy Customers*¹³ are consistent with other studies undertaken in Australia focusing on this topic that have also called on Governments to review the support offered to vulnerable customers.

Specifically these studies call on a move for:

- percentage based concessions,
- national standardisation of concession regimes,
- programs to improve the understanding of end-users about energy usage,
- widen concessions to include Family Tax Benefit A
- better education regarding new tariffs and management of bills in light of changes

¹² Houston Kemp Economists, *Supporting Vulnerable Energy Customers*, An Options Paper for the Energy Networks Association, 20 March 2015, p4

¹³ Houston Kemp Economists, *Supporting Vulnerable Energy Customers*, An Options Paper for the Energy Networks Association, 20 March 2015, p ii

- consistent language for explaining contract components, standard bill presentation including bill transparency
- consumer phone lines and
- the implementation of wider eligibility criteria to reach certain family demographics.

Houston Kemp Economists report that the collection of studies brings further impetus for governments to review the current state of support available to vulnerable customers and how resilient they are to the impending structural change to network tariffs and rising gas prices.

- A national review of the current concession framework giving particular focus on the roles and expertise of each party currently involved with the support of vulnerable consumers.

This must be combined with the central role and critical role of the Government in accordance with their social welfare functions. Retailers and non-for-profits should also have a role given they have a direct relationship with vulnerable customers and typically have information regarding customer energy consumption, payment records and the range of tariff products available as well as direct experience in administering hardship programs.

At this time of implementation and dynamic change to the energy environment, consideration should be given to the opportunity of extension of Healthcare Concession Card to people who live with a medical need to use energy.

For people with a medical need to use energy, prior real-time evidence of how metering charges will be applied to a person who requires full time use of their air conditioner would allow targeted information and engagement. Energex are proposing a real time tariff study which MS Queensland are hoping to be a part of to further identify real-time tariff information for people who have a medical need to use electricity.

5.12 What is the role of retailers in the transition to new tariff structures?

Retailers have the closest relationship with customers and host the information about energy consumption information payment records, range of tariff options, and experience in administering hardship programs yet do not host any reciprocal information regarding information for customers for e.g. household income and household information.

Current gaps in information must be tightened for equitable outcomes to be achieved for all customers. Price signals must be maintained and must be clearly understood by consumers. Shared targeted programs of assistance have the potential to decrease the future concession burden on Governments by reducing the load of vulnerable customers particularly where a percentage based concession is in place.

5.13 In what ways do the benefits of energy efficiency and demand management programs help consumers offset price risks?

All consumers must have the ability to adopt energy efficient practices regardless of whether or not they are the owners of the property where they reside. Some vulnerable customers are locked in to higher than efficient energy use because of the fact that they are tenants (either in public or private housing); and vulnerable customers do not often have access to the capital to invest in new appliances/ insulation nor the incentive to do so if they are renting.

In the *St Vincent de Paul Traffic Tracker Report*¹⁴ recommendations are made for the Energy Networks Association (ENA) to assist vulnerable consumers with affordability particularly ENA possessing information regarding customer energy usage behaviour. It is noted that with the restructure of electricity distribution tariffs to capacity-based tariffs many vulnerable customers may be significantly worse off under these arrangements due to inefficient appliances.¹⁵

5.17 Are the principles outlined above useful for assessing the Queensland energy concession framework and identifying improvements?

It is critical to have the principles outlined when assessing the Queensland energy concession framework and identifying improvements. Suggested improvements have been provided at Question 5.11

5.19 Is it appropriate that the level of household income is used as a measure to define vulnerable consumers, or are there other measures that would more effectively identify vulnerable consumers?

Many factors may contribute to a customer being considered vulnerable. For people living with a medical need to use energy to maintain their health a particular targeted Queensland Government Medical Cooling and Heating Energy Concession was established in 2010. This concession is a great example of providing an identified vulnerable customer to receive additional assistance from the Government to assist with the non-discretionary need to use energy of this particular group of people.

The provision of this rebate is greatly appreciated. At this time of the Queensland Productivity Commission, *Electricity Pricing in Queensland*, October 2015, and the question raised regarding household income to define vulnerable consumers it is useful to identify gaps for targeting, accessibility and uptake in this instance of the Queensland Medical Heating and Cooling concession and the experience of people living with MS and other medical conditions that require the use of electricity for cooling or heating.

Targeting, accessibility and uptake of the Queensland Medical Heating and Cooling concession

The Queensland Government provides financial assistance to low-income Queenslanders with a medical condition which requires the use of electricity for cooling or heating. This assistance is provided for a period of 2 years, at which time eligibility requires review.

This concession is provided to assist individuals with the increased electricity costs incurred by frequent operation of an air-conditioning unit in order to regulate body temperature.

The concession is not limited to one person per household, but all applicants must meet all of the eligibility criteria outlined.

¹⁴ St Vincent de Paul Traffic Tracker Report

¹⁵ Houston Kemp Economists, *Supporting Vulnerable Energy Customers*, An Options Paper for the Energy Networks Association, 20 March 2015,p21

A number of recommendations for consideration for review are outlined below:

- Lack of widespread awareness and knowledge for the Medical Cooling and Heating Electricity Concession scheme as there was no external advertising of the concession other than on the Queensland Government website. Many vulnerable consumers do not have access to a computer
- MS Queensland staff promote, and in many cases, provide assistance to complete the form with clients, other members of the initial Medical Cooling and Heating alliance promote with members of their organisation.
- GP approval for anyone living with a medical condition which requires the use of electricity for cooling or heating not just multiple sclerosis.
 - As a requirement to receive certification, other than multiple sclerosis a relevant specialist must sign the form eg Neurologist; General Physician; Dermatologist, this inequity needs to be addressed so that all medical conditions that require cooling or heating may receive certification through their General Practitioner. Not only does this address inequity it also provides equal access to apply for the scheme as some medical conditions that require medical cooling or heating do not have a Specialist but rather General Practitioner (the identified requirement of the Medical Cooling and Heating Electricity Concession Scheme) eg Lymphoedema and Lupus
- Particularly for people living in regional areas the time, cost and physical exertion to access their specialist can act as a deterrent, particularly if the person's condition isn't MS and they must receive certification from a neurologist rather than their General Practitioner
- Further equity will be achieved by the removal of the requirement to have an air conditioner to receive the rebate. If people do not own an air conditioning, due to varied factors eg cost, do not own home and do not have the ability to install an air conditioner. There is added pressure for the individual to keep cool and will use other cooling tools such as fans, cooling garments and nevertheless will incur increased electricity costs.
- Consideration for Federal Government to revise Healthcare Concession Card for all medical conditions.
 - Case study 1 – MS client who cannot receive the Medical Cooling and Heating Electricity Concession due to not having the required Commonwealth card to support the application.

Female with MS 59, cannot work due to fatigue, dizziness and balance issues due to MS. Heat brings other complications and particularly on very hot Queensland days will not leave the house due the negative impacts of the heat. Client also lives with other medical conditions and last year her medical bills exceeded \$6,000.

A Healthcare Concession Card would assist with medical bills and allow assistance with medical cooling cost which is used in summer day and night. "I feel guilty that I'm not working. If I work I can't do anything else."

- Case study 2 -Female then in her 50s living with lupus also lived with diabetes and a heart condition. She held a HCC and received certification from her GP; however the application was rejected by the Department of Communities.

Less prescriptive rules would be a positive step for medical conditions that require energy use for cooling or heating.

5.20 How could electricity concessions be better targeted to assist customers most in need?

Investment in Research is highly recommended at this time of change. Using electricity bills is not the most accurate or ideal method to determine medically required energy use, for heating, cooling or other needs. Given the findings of the University of SA and MS Australia *Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014, (a copy of this document is attached to this Submission)* a more costly and comprehensive study is justified to more accurately determine actual energy use for heating, cooling, and other medically required energy use at home. As highlighted, many other conditions besides MS result in medically required energy use, such as Parkinson's disease and spinal cord injury.

With more detailed results of actual cooling/heating energy use in these households, via smart meter or data logging equipment, the most effective and fair means of providing medical energy concessions could be undertaken. It would also provide a stronger platform to further examine the links between different concession structures and savings/costs to governments in relation to energy efficiency support programs.

5.21 What alternatives to the flat rebate structure would better assist vulnerable customers?

Through research undertaken by *University of SA and MS Australia, Domestic Energy Use by Australians with Multiple Sclerosis including Medically Required Cooling October 2014*, a number of significant recommendations have been made:

- The value and feasibility of developing a single national medical energy concession to assist those with a medical need to keep cool and/or warm should be examined by an appropriate national body (such as the COAG Energy Council)

National uniformity would improve clarity and ease of access for consumers with a need for medical energy concession. It would also simplify administration for energy retailers and governments. Importantly, it would also create significant incentives for governments to strengthen and better target energy efficiency improvements to medical-energy-concession-eligible households, and thereby ultimately reducing costs for all stakeholders.

In relation to a single national medical energy concession, the current Victorian medical energy concession utilising a percentage of the energy bill rather than a daily rate appears to be the most progressive and fair approach. This approach does not discriminate against those living with larger families or those on lower incomes who might be living in poor quality housing with outdated appliances and unable to put more measures in place to improve their home's thermal efficiency.

The results of the research make it clear that a proportional percentage based concession system linked to additional assistance for concession-eligible households to install solar energy systems (and other efficiency measures) would also benefit concession-eligible home owners through reduced costs, and also more than pay for itself through lower concession costs for government over time.

If there is no agreement by the appropriate national body (such as COAG Energy Council) on the best model for implementing a national medical energy concession, then additional research should be undertaken to determine the best way to achieve this.

5.23 In a finite public funding environment, which consumers should be targeted for financial support in relation to electricity affordability?

The most vulnerable, including people living with MS and other heat affected medical conditions requiring non-discretionary use of energy for operating cooling devices.

5.24 What should the Queensland Government advocate for in a national review of concessions and rebates?

National Standardisation of concession regime principles to align benefits across jurisdictions¹⁶

In the *Relative Value of Energy Concessions 2009 - 2012*, St Vincent De Paul & Alvis Consulting, highlighted the significantly different concession arrangements between jurisdictions, they recommend national standardisation of concession regime principles to align benefits across jurisdictions.

Queensland households with healthcare cards do not receive rebates as in other states. Concession arrangements in Queensland focus on pensioners and seniors, which does not include vulnerable family demographics.

The St. Vincent De Paul Society Observations from the Vinnies' Tariff-Tracking Project¹⁷ recommends measures that would better educate consumers in light of changing network prices. St Vincent De Paul recommend that the Energy Retail Association of Australia (ERAA) develop a code for consistent language for explaining contract components, standardise bill presentation and take steps to increase bill transparency and reduce confusion.

Finally they argue that with tariff structure reforms, there is a need to review concession arrangements in NSW and SA. **They suggest that with broader range of tariff structures being used in deregulated markets, there is a need to shift to percentage based rebates as are currently being applied in Victoria.**

Studies that have been undertaken focussing on vulnerable customers in the energy market collectively recommend for a review of existing policies and programs to support vulnerable customers. Further support must also be provided to households that do not qualify for concessions.

While networks possess information regarding customer energy usage, where smart meters are installed, they do not necessarily know what current tariff policy customers are on and/or the different retail tariff offering available in the market.¹⁸

¹⁶ St Vincent De Paul Society & Alvis Consulting, *Relative Value of Energy Concessions 2009 – 2012*, 21 March 2013

¹⁷ St Vincent De Paul Society & Alvis Consulting, St Vincent De Paul Society – The National Electricity Market – Wrong Way Go Back? Observations from the Vinnie's Tariff-Tracking Project, September 2014

¹⁸ Houston Kemp Economists, *Supporting Vulnerable Energy Customers, An Options Paper for the Energy Networks Association*, 20 March 2015