



Branch

Australians in Retirement.

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Cairns and District

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A Submission to the Queensland Productivity Commission on Electricity Pricing

From the Cairns and District Branch of Australians in Retirement

11th November 2015

We make this submission on behalf of the Cairns and District Branch of Australians in Retirement (Association of Independent Retirees) or AIR. The AIR's charter is to look after the interests of people who have tried to fund their own retirement and not be a cost burden on the State and Federal budgets. There are AIR branches throughout Queensland and the rest of Australia. Because of the impact of the GFC and the ongoing record low interest rates, most of our members (average age of 65 to 80+) are now part pensioners so most are on a fixed pension income and likely to remain in that position until interest rates return to normal and the high cost essentials such as electricity are brought back to an affordable level or age and health take control of their future. Indeed anyone on a fixed income in Queensland is hurting with the ever increasing electricity bills especially for those living in Far North Queensland where air conditioning is critical to the health of aged people during summer and also for daily life as these people are mostly contained within their homes 24/7. Decreasing mobility and health – increases their dependence on electricity especially for air conditioning and fans during periods of extreme hot weather.

In general, low interest rates take money away from the most important class of spenders – retirees and savers. Savers don't end up with a large enough account with which to start their retirement and those in retirement don't get enough income, which is another way in which monetary policy is not working. What we are seeing is a developing crisis of low returns from investments, high energy costs plus longer life, equals serious problems.

We have no problem with the attempts to find other suitable cost effective ways of producing electricity other than the use of coal. What worries us is the headlong rush into renewable energy generation such as solar and wind with no thought to the effects on the economy or business and households. Our members are hurting and fear even more cost increases in the future if we don't slow down this rush to renewable energy. Australia is endowed with huge deposits of coal and the use of coal continues to provide in Australia the base load generation at an affordable price. The export of coal is and will continue into the future to be one of Australia's largest export products and exchange earners. We fail to understand why Queensland Government has and is committing large expenditure into solar /wind generation and very little into the research for cost effective low emission fossil fuel technology. If Queensland was able to develop proven low emission fossil fuel technology for use in power generation it would immediately have a world market for the technology and ensure the future

returns to the state from coal sales. Some country will develop this technology in the near future and we hope QPC has the wisdom to incorporate this into its final report.

For every solar and wind generator installed in Australia our country due to its current economic deficit must borrow the capital cost and then export the money -mostly to China - because we do not manufacture any generating units in Australia. Why?-partly because our manufacturing costs including the cost of electricity cannot compete.

Energy is the second biggest cost input for most businesses (the biggest being labour) and when it comes down to that it has a big impact not just on business but on the living standards of people in retirement and those endeavouring to pay off personal debt.

As we see it there are two glaring problems that need to be addressed: the exorbitant cost subsidy associated with the 44c solar scheme plus other renewable energy initiatives and the deliberate breakup in the electricity supply charges into network, services, metering and electricity units. This dividing of the electricity bill allows deceptive yearly rises in the fixed charge parts of every Queenslanders' electricity bill. The 44c solar scheme feed in tariff was adopted by the Queensland Government when blinded by the fears around climate change and carbon pollution of the atmosphere without following the principal of reasonableness. Low income people did not have the capital to install the solar installation and many aged people were resident in units and retirement units where they had no access to this option. Because this decision was made the Government passed the costs across to the electricity industry and there is now a **significant cross subsidy carried by those who do not have solar roof top units.**

The adoption of the 44 cent feed-in-tariff by the Queensland Government should have been accompanied by compensation for those on fixed and low income. The integration of the excessive feed-in-tariff into the electricity distributor operating costs has resulted in a high cross subsidy and together with the unavoidable network/metering/services charges built into the electricity bills, is eroding the real value of savings held by people, mainly older folks. This impact is felt particularly by self-funded retirees who are not in a position to make good the fall in real value of their accumulated savings. These consequences were overlooked when the initial trial of the 44cent feed-in-tariff was granted and unfortunately the trial was not contained and blew out beyond anyone's expectation.

We strongly recommend the introduction of a 'buy-back scheme' on the 44cent solar units. Some people who outlaid the capital for the installation will experience financial difficulties and a scheme could be structured where these people could surrender their 44cent entitlement for a capital payment. There would need to be terms where this could not be exploited by those intending to sell their property but it would provide a means of eroding this Government error that impacts many Queenslanders.

Under the new billing structure our members and others on low incomes have no means of reducing their electricity bill because the network and service charges now belittle the volume of electricity charges. **In 2013 the fixed charges were \$110 for the twelve months. Now in 2015 the fixed charges for the year are now \$387.21 plus the new metering charge of \$15.19. That makes a total of \$402.40, an increase of \$292.40 or an increase of approximately 365%. In the very same period the CPI went up 2.14%.** We believe this restructuring of the bill was done to endeavour to reduce and isolate the impact of the solar feed in tariff. We have made several recommendations that a separate domestic tariff be adopted for those with solar PV installation to stop the cross subsidy burden on those who could not afford the solar installation.

The impact of this situation is clearly illustrated in a letter published in the Cairns Post on Friday 9 January 2015 and reflects the consequences of this tariff breakup – ***“--- It is all rubbish that politicians talk about electricity prices going down. My last bill increased by \$35 to \$180. I am a single pensioner living alone. I spoke with a lady at Ergon Energy and asked why. She told me it was not the price of electricity”, it was the increasing cost of supply. She***

told me I use less electricity, but the bill keeps going up because of the 'cost of supply' going up. Can you or someone ask politicians or Ergon why cost of supply? I have cold showers, do not use lights, I do not use ceiling fans ----."

If the Queensland Government's plans to achieve a target of 50 per cent renewable energy by 2030; and one million Queensland rooftops fitted with solar panels by 2020 are fulfilled then there will be an enormous strain on the whole electricity industry. The more renewable energy produced then the higher the fixed charges will be to support the poles and wires network which have to be maintained to provide electricity when wind and solar can't. This headlong rush into renewable energy is the main reason for the ever escalating price of electricity together with the deliberate extraction of monies from the electricity supply industry by the State Government. There are also hidden costs for network enhancements to contain the voltage and reactive/capacitive impact of the solar generation feeding into the network.

To add to the electricity customer's confusion, the Queensland Government adopted legislation that came into law on 1 July to join Queensland with other states in the AER RETAIL framework. This means AER can now issue retail licenses under their rules to the likes of AGL to market domestic roof top PV installations at no cost to the property owner subject to a 10+ year contract and the owner becomes a customer of AGL for a term of 10 years or more and pay the metered generation from the solar installation together with the added costs of being connected to the Ergon network. These offers will entrap the electricity customers who fall for the offer of saving on their electricity bills. **We have major concerns about this type of entrapment and cannot believe that no Queensland authority carries any responsibility for this situation.**

We have continued to ask why QCA has deliberately projected the benevolence of the State Government in supplying electricity to Regional Queensland at a uniform state tariff policy and identified the associated subsidy but not the profits the government extracts from the electricity industry especially the fact that the government also enjoys the benefit of tax equivalent payments which are of the order of \$1.9 billion this year. No recognition or costing benefits exist for the fact that much of the power generation consumed by south east Queensland occurs in Regional Queensland together with the bulk of the primary and resource revenue. The Ergon consumers have also unfairly been loaded with what began as a '5% competition loading' and is now called 'headroom charge' (another hidden tax).

When you bear in mind that the Solar Bonus scheme will be in place till 2028 then the size of the problem is obvious. We are told that the ever increases in our electricity bills are the network costs and these are rising, not because of demand or inflation but because more and more users are opting to use solar and lowering the utilization of the network. This has a compounding effect. The people, who can least afford it, are cross subsidizing those who have installed solar and there is no way out of their predicament and sadly no one seems to care.

According to the Qld Competition Authority the number participating in Hardship Programs in Queensland increased 4 percent from March Quarter to June Quarter 2015 from 14,438 to 15,003. That's 15,000 households who can't afford their power bill. In the September Quarter 2010 there were only 4,932 households in Queensland on hardship programs: that is an increase of 10,371 or 47% over five years. Of the additional 565 hardship programs in June Quarter 2015 a total of 428 or 76 percent are in regional Queensland. The average debt on entry to a hardship program in regional Queensland is \$301 and the average time a customer remained in a hardship program in regional Queensland is 127 days i.e. on average over 4 months to pay a \$301 debt back to Ergon.

Please note this is another letter we have received from an Ergon customer in Cairns, Quote:

I am a single mother of two small children, one being 3yrs old and the other being a 5mth old and I struggle to pay every electricity bill issued out to me. I am a full time mum and rely on a single parenting pension. Although entitled to a government rebate, my electricity bills still

seem to be ridiculously excessive averaging between \$400 and \$500. I simply cannot justify how myself and two dependent little beings, living on a below average income, are expected to live life comfortably when we are faced with such high living costs.

Since March 2013 I have lived in an apartment, and since then my electricity bills have been almost inconceivable. We have always had very few appliances going as we live very simply. I rarely use the air conditioner, as I am naturally very conservative and even today I never leave anything switched on upon going to bed or leaving the house. The TV is also switched off at the wall, fans are only used when necessary, and washing is done in the evenings. Yet it seems no matter what I do to avoid incurring more costs I am constantly facing excessively large electricity bills. Each and every bill requires an extension and a scheduled instalment plan as this is the only way I can successfully pay off my electricity bills whilst providing for my children and maintaining my home and family life.

Below I have included an example of our current fortnightly household expenditure. As you will see by the time all our bills are paid we have exactly \$182.00 left for food to last us a fortnight. It's a continuous battle of survival until the next fortnight. We are literally living from fortnight to fortnight on an extremely tight budget. My children miss out on so much in terms of special events or family outings. Toys and birthday gifts are scarce. And I can't even remember the last time I even bought a new item of clothing for myself. My children's clothes a lot of the time are second hand. We aren't living, we are purely surviving. If I didn't constantly have to commit myself to instalment plans for electricity, having one bill finally just paid off by the time the next bill arrives, I would have \$100 left to make life that bit more comfortable and enjoyable for myself and my two little boys.

FORTNIGHTLY HOUSEHOLD EXPENDITURE	
SPP & FAMILY ASSISTANCE	\$1,080.00
Rent	-\$540.00
Electricity	-\$100.00
Fuel	-\$100.00
Phone	-\$40.00
Child care	-\$75.00
Gov housing (bond loan repayments)	-\$18.00
Other necessities	-\$25.00
Food	\$182.00

Unquote.

We attended a recent Ergon presentation of their trials of battery storage and suffice to say we have grave fears if we rush into that area without taking extreme care. **We were told that there are no safety standards in place yet for battery storage** and yet we are told daily that this is the way to go. When you are dealing with something as lethal as electricity we urge extra caution: do we really want another disaster like the ceiling bats that was caused by a botched, rushed attempt to appease people? We also believe that there are problems with energy from solar systems being exported to the Ergon grid. We also have expressed our concerns that the promotion of 'solar roof top installation with battery storage for non-solar periods' could lead to do-it-yourself installations that will lead to very hazardous situations as the product 'electricity' is not visible, has no odour and gives no sound before it can kill.

We understand the Local Councils have no guideline policy on the disposal of lithium batteries and expired solar cells. This indicates there is a potential environment problem developing with the disposal of these invasive items.

So we urge you to proceed with caution. As we said at the start of this submission we understand the desire to go green but let's not do something that will cause more trouble than it fixes. We would also like to point out that we are also members of the Far North Queensland Electricity Users Network and wholeheartedly endorse their submission.

We endeavoured to follow your listed questions in setting out this submission but found we could not effectively put our message together without much repetition so we chose this format.

Because we make this submission on behalf of members of AIR the issues associated with the two QPC submissions overlap and we ask that this submission be taken into account for both submissions.

Thank you for giving us the opportunity to reveal the world of Australians in Retirement and their need for affordable electricity.

Phil Pollard and Des Reppel