



Queensland Council
of Social Service

Submission to Draft Report

*Queensland Productivity
Commission Inquiry on
Electricity Pricing*



11 March 2016

About QCOSS

The Queensland Council of Social Service (QCOSS) is the state-wide peak body representing the interests of individuals experiencing or at risk of experiencing poverty and disadvantage, and organisations working in the social and community service sector.

For more than 50 years, QCOSS has been a leading force for social change to build social and economic wellbeing for all. With members across the state, QCOSS supports a strong community service sector.

QCOSS, together with our members continues to play a crucial lobbying and advocacy role in a broad number of areas including:

- sector capacity building and support
- homelessness and housing issues
- early intervention and prevention
- cost of living pressures including low income energy concessions and improved consumer protections in the electricity, gas and water markets
- energy efficiency support for culturally and linguistically diverse people
- early childhood support for Aboriginal and Torres Strait Islander and culturally and linguistically diverse peoples.

QCOSS is part of the national network of Councils of Social Service lending support and gaining essential insight to national and other state issues.

QCOSS is supported by the vice-regal patronage of His Excellency the Honourable Paul de Jersey AC, Governor of Queensland.

Lend your voice and your organisation's voice to this vision by joining QCOSS. To join visit [the QCOSS website](http://www.QCOSS.org.au) (www.QCOSS.org.au).

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Introduction

QCOSS welcomes the release of the Queensland Productivity Commission (QPC) Draft Report on Electricity Pricing. There are many important issues covered in the Draft Report – some of which impact the electricity prices paid by all consumers, and others which are specifically focused on the experiences of low income and disadvantaged people in Queensland. QCOSS has contributed to a joint submission with the Chamber of Commerce and Industry Queensland (CCIQ) which addresses issues that impact all consumers. For this submission, we have focused on the recommendations which are specifically targeted at minimising the impact of electricity prices on vulnerable and disadvantaged Queenslanders.

We are pleased that the Draft Report includes a number of recommendations to address the needs of vulnerable consumers in the Queensland electricity market. We particularly support the QPC's recommendations for the Queensland Government to:

- provide targeted support for vulnerable customers, including through partnerships with the community sector (*Recommendation 18*); and
- extend eligibility for the Electricity Rebate to Commonwealth Health Care Card Holders (*Recommendation 45*).

We believe both of these actions are long overdue in Queensland. We look forward to a positive response from the Queensland Government and working collaboratively to implement these recommendations as a matter of priority.

We also commend the QPC on efforts to identify solutions to other issues experienced by vulnerable consumers, including improving access to energy efficient rental accommodation, subsidising energy efficient appliances for low income households, protecting vulnerable customers from the impacts of tariff reform, and facilitating their access to and participation in the competitive market. We have some further contributions to make to the QPC's recommendations in these areas which we provide in this submission.

Overall, the immediate priority for a strategy to support vulnerable consumers in the electricity market should be with the objective to minimise electricity debt and disconnection from supply. This is best achieved through a combination of measures that address the factors impacting affordability, including price, consumption and income, and assisting people to overcome informational barriers.

Additionally, as the market evolves and emerging technologies create new opportunities and shift traditional sources of supply, equitable access also becomes imperative. All stakeholders have a part to play in ensuring equitable access to these opportunities. It must be a high priority for the Queensland Government to ensure that these emerging opportunities are accessible for low income households to ensure the energy market does not exacerbate disadvantage for vulnerable people.

Recommendations

QCOSS makes the following recommendations within this submission.

Chapter 6: Retail markets and consumers

1. That the QPC add 'vulnerable consumers' to the diagram in Figure 42 in recognition that this customer group has different needs and must overcome different challenges to customers who are simply 'disengaged'.
2. That the QPC assist the Queensland Government in implementing its recommendation for "*targeted support for vulnerable customers, including through partnerships with the community sector*" (Recommendation 18) by:
 - Formulating evidence based options, based on programs in other jurisdictions, for how the Queensland Government can deliver target support through community organisations, including options that facilitate industry partnerships.
 - Clearly articulating the formal role of financial counsellors in the energy market and recommending the reinstatement of state government funding for financial counselling positions in Queensland.
 - Confirming in the recommendation that the targeted support referred to is funded, sustainable and ongoing support that is state-wide and provided in addition to any other specific support that might be required at points of significant change in the market.
3. That the Queensland Government investigate review the jurisdiction of the Energy and Water Ombudsman Queensland (EWOQ) in dispute resolution in relation to emerging technologies and business models in the energy market.
4. That the identified barriers to awareness and understanding about energy management by vulnerable consumers be addressed as part of the objectives of the 'targeted support through community organisations' under Recommendation 18.

Chapter 8: Deregulation in SEQ

5. That the QPC recommend legislative changes to require all retailers to publish their standing offer prices on the same day from 1 July 2016.
6. That the QCA's market monitoring requires retailers to report on the offers that their vulnerable customers are on, including those in receipt of a concession and customers on payment plans or hardship programs.
7. That the QCA's marketing monitoring report provides information and public commentary on the quality of service being offered by retailers in their hardship programs, including the provision of services of significant value to vulnerable consumers such as energy audits and appliance replacements.

8. That the QPC's recommendation that the Queensland Government "*provide assistance to NGOs to assist vulnerable and disadvantaged consumers to fully participate in the market*" include:
 - Fundamental education about tariffs and how to read a bill that is required to use tools such as Energy Made Easy
 - Tailored information to address the specific needs of vulnerable consumers in the competitive market, such as switching with debt, pay-on-time discounts, transferring concessions and accessing hardship programs.
 - Requirement that assistance not be focused on short-term outcomes (such as churn) but rather on empowering customers and driving behaviour change that will have longer term benefits.

Chapter 9: Options for introducing retail competition in regional Queensland

9. We support the QPC's recommendation to maintain the Uniform Tariff Policy in the interests of regional development and employment in the regions.
10. That the QPC note the introduction of retail competition in regional Queensland is a significant point of change in the market and that it should therefore be accompanied by strong role for government to build trust and credibility in the market.

Part C: Managing Impacts for Vulnerable Customers

11. That the QPC reframe Part C of the Final Report to recommend an integrated support framework to assist vulnerable Queensland energy consumers through:
 - Concessions
 - Targeted support delivered through specialist community organisations
 - Initiatives to reduce barriers to energy management
 - Consumer safeguards in changing market conditions

Chapter 12: Electricity Concessions Framework

12. That the Queensland Government accept the QPC's Recommendations 44 to 50 which relate to the provision of concessions (with the exception of Recommendation 46 which requires further consideration). In particular, this includes immediately extending eligibility for the Electricity Rebate to Health Care Card holders.
13. That the QPC support percentage-based concessions as a more appropriate structure for assistance alongside new technologies and tariff reform.

14. That the QPC clarify in Recommendation 49 that the reference to 'electricity rebates' includes the Home Energy Emergency Assistance Scheme (HEEAS).
15. That the QPC recommend the Queensland Government consider customers with non-mainstream supply arrangements in the design and delivery of concessions.
16. That the Queensland Government establish a working group comprising industry, community and government stakeholders to ensure effective coordination across the vulnerable customer support framework and guide the implementation of the recommendations relating to concessions.

Chapter 13: Impacts of Network Tariff Reform and Impediments to Demand Side Participation

17. That the QPC confirm that government action is urgently required to address access and affordability of energy management solutions for vulnerable consumers, particularly given that control over the quantity and timing of energy use will become vital with the introduction of tariff reform.
18. That the QPC acknowledge the importance of percentage based concessions in alleviating some of the affordability problems experienced by vulnerable tenants in the private rental market where more direct policy responses are not feasible or effective.
19. That the QPC more comprehensively investigate inter-jurisdictional experiences to formulate evidence based options to delivering energy management outcomes for low income and vulnerable people, including assessing the cost and benefits of the energy efficiency target schemes in South Australia, NSW and Victoria.
20. That the QPC more closely investigate a wide range of options for delivering subsidies off the cost and delivery of energy efficient appliances for vulnerable consumers, including delivery of subsidies through the community sector.
21. That the QPC's recommendation to create obligations on landlords must include scope for advocacy on behalf of the tenant to address inherent power imbalances and assist with negotiating consent and installation.
22. That the QPC recommend hot water systems be certified upon renewal of a tenancy agreement to ensure they are working effectively and meet efficiency standards, similar to the requirements for smoke alarms.
23. That the QPC make a separate and explicit recommendation for the Queensland Government to improve the energy and demand efficiency of its public housing stock, and that this be made a high priority across the whole-of-government.

Comments on Part C: Managing Impacts for Vulnerable Customers

In Chapter 12, the QPC seeks to define a ‘vulnerable consumer’ and notes that there is disagreement across stakeholders about what constituents ‘vulnerable’.¹ We believe there is only disagreement because the QPC has posed a broad question – “what is vulnerability?” – and tried to fit responses into an analysis which is narrowly focused on concessions as the solution to the problems.

We agree that there is a continuum of vulnerability, and agree with submissions to the QPC that argued that “*income should be a consideration for determining vulnerability, but should not be the only factor*”.² Low income is one form of vulnerability that disadvantages customers in the market. An appropriate solution to this problem, which is insufficient income, could be to increase available income through the provision of a concession payment. However, as noted in submissions to the QPC, there are other characteristics that make a consumer vulnerable in the electricity market – for example, disability, language barriers or poor quality housing, to name a few. These vulnerabilities can result in households paying more for electricity that they would otherwise, and these problems are not adequately addressed through concession payments.

Problems for vulnerable consumers are further compounded when households experience multiple forms of disadvantage – such as low income, language barriers and inefficient housing – and problems persist for consumers when only one of these problems is addressed. For example, a household who receives a concession may continue to be vulnerable due higher energy use because of their inability to respond to price signals due to inefficient housing and appliances. As a result they may continue to be at risk of disconnection and disadvantage in the market.

The solution therefore lies in complementing concessions with additional safeguards, and other policy or program solutions tailored to address specific needs. A coordinated and considered approach that recognises the integrated relationship between the different elements of support for vulnerable consumers is essential. We have provided some suggestions below on how we believe the needs of vulnerable consumers could be better reflected in the QPC’s Final Report.

¹ QPC Draft Report, p249

² QPC Draft Report, p217

What is vulnerability?

QCOSS acknowledges that the scope of issues covered in the Draft Report is wide-ranging and that this means it is necessary to divide the report into separate chapters. However, from the perspective of a vulnerable consumer, issues associated with deregulation, energy efficiency, tariff reform, retail competition and emerging technologies are all related, and therefore the approach to support and engage vulnerable consumers in the market must be coordinated across these areas.

We believe the QPC should take a broader and longer term view of what it means to be a vulnerable consumer, what barriers exist that make consumers vulnerable (both in the current context and emerging markets) and what possible solutions might address those barriers. Well-targeted and adequate concessions are likely to be only part of the mix of approaches necessary to support vulnerable consumers to effectively participate in the market. We suggest Part C could be reframed to take a consumer-centred approach by identifying known vulnerabilities experienced by consumers and exploring options to address both existing problems and those that may emerge in the future as a result of significant reforms (as highlighted in Chapters 8 and 13).

For example, the key areas where consumers can be disadvantaged in the energy market include:

- a) Households with a low income that is insufficient to afford a basic supply of electricity.
- b) Households with high non-discretionary essential energy use, such as people with a medical condition that requires air-conditioning or electrical equipment to manage, large families, households in regions where energy needs are higher due to climate, households who rely on electricity to pump water, etc.
- c) Households who – for whatever reason – find themselves in a short-term financial or personal crisis which impacts their ability to pay their bills, putting them at risk of debt and disconnection from supply.
- d) Households who experience barriers to communicating, accessing or understanding energy information, which impacts their ability to understand their energy use, engage with their retailer or read their bills, and can lead to poor consumer outcomes such as disconnection or higher prices in a competitive market. This can include people with limited literacy and numeracy skills, lack of access to the internet, language barriers, disability, or mental health issues, to name a few.
- e) Households who face barriers to controlling their energy use, which makes them more vulnerable to high energy bills and increased risk of

debt and disconnection. The most common example of this is tenants in poor quality housing who have no control over the efficiency of their property or fixed appliances and limited opportunity to adopt technology options, such as solar, to reduce the size of their bills.

- f) Households with old or inefficient appliances who lack the upfront capital to upgrade to more energy efficient or demand efficient models.
- g) Households with non-mainstream supply arrangements who are vulnerable to poor outcomes due to a lack of access to the full range of assistance and consumer protections. This includes card operated prepayment meter customers, on-supply customers, customer using bottled gas, bulk hot water customers and off-grid customers in regional areas.

Clearly, not all of these vulnerabilities can be addressed through the concessions framework – they each require a different approach. Many households are likely to experience multiple forms of disadvantage at any one time, so the approaches must be integrated to ensure the problems experienced by vulnerable consumers are addressed holistically. We therefore recommend that the QPC recommend an integrated support framework to assist vulnerable Queensland energy consumers through:

- 1) Concessions
- 2) Targeted support through specialist community organisations
- 3) Initiatives to reduce barriers to energy and demand efficiency
- 4) Consumer safeguards in changing market conditions

Each of these aspects are addressed in this submission.

1. Concessions

The QPC has made a number of recommendations that relate to the provision of concessions to Queensland energy consumers in Chapter 12 (*Recommendations 44 to 50*). We are strongly supportive of these recommendations (with the exception of recommendation 46 which requires further consideration as discussed in this section).

Overall we consider the QPC's contribution in this area to be a positive step towards improving outcomes for vulnerable households in Queensland.

We appreciate the QPC's adoption of QCOSS's proposed design principles for concessions, and support the recommendation that the Queensland Government determine a clear policy intent for the concessions framework, and assess the framework against the principles of *adequacy, equity, adaptability* and *transparency*. It is our view that the current framework does not perform well against these criteria.

Most importantly, QCOSS is pleased to see the QPC's recommendation to improve targeting of the Electricity Rebate by extending eligibility to Commonwealth Health Care Card Holders. We are strongly supportive of *Recommendation 45* and look forward to the Queensland Government adopting this much-needed recommendation to improve the equity of the concession and, as a result, improve the outcomes for Queensland's most disadvantaged households. While this inquiry does not specifically cover the gas market, we consider that given the similar eligibility criteria and objectives, this recommendation should also apply to the Queensland Government's *Reticulated Natural Gas Rebate*.³

We support these recommended changes to the eligibility criteria for the Electricity Rebate as it would result in an improvement in the *horizontal equity* of the concession framework. However, the QPC's recommendations do not address the fact that the Electricity Rebate does not meet the principle of *vertical equity* in its current form.⁴

We believe the QPC's analysis of the structure of the concession payment focuses unreasonably on the *output* (i.e. the size of the rebate provided to each customer), as opposed to *outcome* for the customer in terms of the size of bill paid and their capacity to manage it. A percentage based concession would assist in smoothing the bill impacts for households with dependent children or poor quality housing in a cost-effective and administratively simple way, reducing the scope of what is needed to address these issues through additional policies and programs. A percentage based approach provided to

³ While it may be outside the scope of this Inquiry, we note the Reticulated Natural Gas Rebate is not available to customers using bottled gas, which disproportionately disadvantages vulnerable customers in regional Queensland.

⁴ QCOSS, 2013. Energising Concessions Policy, p37

Health Care Card holders would also reduce the need for an additional flat-rate rebate for families (as recommended in the Draft Report⁵) by providing this payment to low income families in a way that minimises administrative complexity for government, retailers and eligible customers.

We note the QPC's concerns about the potential for percentage based concessions "*to act as a disincentive for demand management and energy efficiency*"⁶. However, based on the level of financial stress vulnerable Queenslanders are experiencing in relation to their electricity (as documented in our submission to the QPC's Issues Paper), we consider that high prices provide a sufficient incentive for vulnerable customers to continue to seek to reduce their energy costs as long as they are supported to do so. We consider that the QPC's concerns can be addressed by ensuring concessions are well-targeted to those most in need and delivered alongside complementary measures that educate and assist customers to reduce or shift their energy usage to further lower their costs.

We have particular concerns about the vertical equity of a flat payment concession in light of changes to tariff structures and uptake of new technologies. The QPC states that "*to the extent customers are genuinely vulnerable to adverse price impacts from tariff reform, and unable to adapt their behaviour to otherwise manage the financial impost, we suggest the solution lies in well targeted concessions*".⁷

We do not agree that the concessions framework, even if all the QPC's recommendation in Chapter 12 are adopted, will effectively manage adverse impacts resulting from tariff reform. A flat payment rebate will not assist customers who are "*unable to adapt their behaviour*" as they would receive the same rebate amount as a household who *is* able to adapt their behaviour. Their behaviour has no impact on the amount of assistance they would receive, and therefore they would not be protected from any adverse impacts on their bill. Alternatively, a percentage based concession would still maintain the underlying price signal (as the consumer who is unable to change their behaviour will still receive a higher bill) but it would reduce the strength or magnitude of the penalty for eligible customers who are unable to respond. Without this approach, it is unclear from the QPC's recommendations how "*well-targeted concessions*" alone will provide adequate protection to vulnerable consumers who are genuinely unable to respond to new tariffs.

It is unclear how the Queensland Government will equitably increase the Electricity Rebate as a flat rate payment to adjust for price changes, tariff reform or new technology uptake to ensure it continues to meet its objectives over time. QCOSS disagrees that "*a flat rate structure could also be indexed to account for changing prices as a result of market reforms*".⁸ At the moment, the

⁵ QPC Draft Report, Recommendation 47, p210

⁶ QPC Draft Report, p227

⁷ QPC Draft Report, p241

⁸ QPC Draft Report, p220

Electricity Rebate is increased annually by the average bill increase based on regulated retail prices. However, with price deregulation in SEQ and the introduction of new technologies (solar and batteries) and new tariff structures across the state, some eligible concessions recipients are likely to experience much larger bill increases than the 'average', and others may in fact benefit from vastly reduced bills as a result of installing solar or other technologies. Without introducing a percentage based approach, the assistance provided to different eligible customers will not adapt to their changing circumstances, and the equity and fairness of the concession framework will erode over time.

We believe a percentage based concession is more sustainable in the longer term and provides a built-in financial incentive for government to take a longer term approach to ensure vulnerable people have access to technologies and energy management solutions to reduce their bills in the future.

We therefore consider it is necessary for the QPC to include a number of additional example households into the summary provided in Table 19 to more accurately reflect the 'consumer choices' that are relevant in the emerging energy market.⁹ For example, we suggest including the annual bill for a household with solar panels, as well as two households paying the bills they would receive under the proposed network demand tariffs – one household which is able to respond and benefit from a demand tariff, and one which is unable to respond. This exercise would highlight the diverse outcomes that a flat payment concession delivers to vulnerable people who are impacted differently. We consider a percentage based concession is necessary to ensure equity is retained alongside new technologies and tariff reform.

We note the QPC has assumed a level of 17.5 per cent in its comparison between a flat and percentage based concession. QCOSS has not undertaken analysis to identify what percentage level would be appropriate to ensure positive outcomes for eligible customers.

In terms of accessibility, QCOSS agrees with the QPC's recommendation that concessions be more accessible and for government to ensure these programs are widely promoted to eligible customer groups – including to on-supply customers and remote consumers using card-operated prepayment meters. This applies not only to the Electricity Rebate, but also Home Energy Emergency Assistance Scheme (HEEAS) which is not currently available to card-operated meter customers¹⁰ and has poor uptake by on-supply customers who face practical barriers to uptake despite their eligibility. It is important that customers with non-mainstream supply arrangements (as highlighted on page 10 of this submission) are considered in the design and delivery of concession schemes.

⁹ QPC Draft Report, Table 19 p226

¹⁰ The level of HEEAS payment a customer receives is calculated based on the amount owing to their retailer. As card operated meter customers prepay for their electricity they are unable to apply.

For on-supply customers, we agree that a mandatory obligation on on-suppliers is required to ensure on-supply customer receive their entitlements, however we also consider there needs to be reimbursement of administrative costs for on-suppliers and improved dispute resolution services for on-supply customers in order for these changes to have positive outcomes in practice. We refer the QPC to our submission to the DEWS Regulatory Impact Statement (RIS) for more information about the issues for on-supply customers.¹¹ We encourage the QPC to refer to this RIS and the submissions to this process to inform its recommendations in regards to on-supply customers.

Lastly, given the scope of recommendations being proposed to the design and delivery of the energy concessions framework, we consider it may be useful to establish a working group comprising industry, community and government stakeholders to guide the implementation of these recommendations including:

- Monitoring outcomes of any changes adopted as a result of this Inquiry
- Coordinating effective promotion of concessions across stakeholders
- Monitoring uptake of concessions by consumers identified as missing out
- Ensuring coordination between concessions and energy market reforms (which is highly relevant if policy responsibility for medical concessions be transferred to Queensland Health)¹², and
- Providing input into the recommended review of HEEAS
- Ensuring coordination between concessions and the broader support framework for vulnerable customers
- Providing input into the national harmonisation of concessions across the NEM.

¹¹

www.qcoss.org.au/sites/default/files/QCOSS_Submission_DEWS_On%20Supply_RIS.pdf

¹² QPC Draft Report, Recommendation 49

2. Targeted support through community organisations

We support the QPC's finding in *Chapter 6: Retail Markets and Consumers* that "governments have an important role in providing well-targeted and integrated initiatives to address the needs of vulnerable consumer groups, including in partnership with non-government organisations".¹³ We support this finding being included as part of Recommendation 18 which states that one of the Queensland Government's roles in the retail market is to provide targeted support for vulnerable customers, including partnerships with the community sector.¹⁴

We also note the QPC's analysis recommends "sustainable, ongoing support"¹⁵ and that this recommendation relates to the retail market as a whole – including customers across South East Queensland, regional areas and remote parts of the state. We also support the finding that ongoing support for vulnerable consumers is required *in addition to* any specific support that might be provided to consumers at points of significant change in the market, such as deregulation or tariff reform. Establishing an ongoing support program in partnership with the community sector ensures appropriate channels are in place to reach and engage vulnerable consumers at these points of significant change.

While we strongly support this recommendation, we would like to see more consideration given to define the problems faced by vulnerable consumers in the electricity market, and an analysis to identify the type of targeted support that is required to overcome those problems. For example, we are disappointed that there is no reference in the QPC's Draft Report to the fact that 29,692 households were disconnected for non-payment in Queensland in 2014-15.¹⁶ As noted in our submission to the Issues Paper, this is almost double the number of disconnections from 2008-09. This is an important statistic that highlights the consequences for vulnerable consumers who are unable to effectively participate in the electricity market, and reiterates the importance of ensuring there is effective targeted support in place.

One of the objectives for this targeted support should be to shift vulnerable consumers through the continuum of consumer participation in the market (as outlined in *Figure 42*).¹⁷ We therefore recommend *Figure 42* be amended to add another category of consumers in the market – that is, 'vulnerable' or 'at risk' consumers. Vulnerable consumers who are not able to pay their bills are not simply 'disengaged', but are in fact 'at risk' of debt and disconnection from supply and face additional barriers to engaging in the market. Different

¹³ QPC Draft Report p94

¹⁴ QPC Draft Report, Recommendation 18

¹⁵ QPC Draft Report, p101

¹⁶ QCOSS Submission to QPC Issues Paper

¹⁷ QPC Draft Report, *Figure 42*, p97

strategies are required to shift an 'at risk' consumer, than that which is required to shift a consumer who is 'disengaged' but able to pay their bills.

Acknowledging vulnerable consumers in this diagram is important to ensure there are strategies developed to shift consumers within each of these categories through the continuum of customer participation over time.

QCOSS agrees that targeted supported is best provided through funded "*partnerships with the community sector*". We are pleased that the QPC has recognised the considerable value that the community sector brings to the electricity market. Community organisations are able to address the range of barriers vulnerable people face in the energy market. They have existing networks and expertise in supporting and engaging vulnerable people including specialist skills to meet the needs of people who might be otherwise excluded. Marginal communities tend to be people with a disability, people from Aboriginal and Torres Strait Islander or Culturally and Linguistically Diverse backgrounds, people with mental health issues or those with low literacy, numeracy or cognitive skills.

QCOSS consider there is a significant gap in the support that is available to assist vulnerable Queenslanders in the energy market when compared with other jurisdictions. We suggest it would be useful for the QPC to provide some examples to illustrate successful approaches delivering target support through community organisations in other jurisdictions. We recommend that the QPC consider these inter-jurisdictional experiences to formulate evidence based options to assist the Queensland Government in implementing this recommendation. QCOSS provided some examples of approaches taken in South Australia in our submission to the Issues Paper, for example, which would be useful to explore. We have provided some further perspectives on this to support the QPC in this analysis.

Financial Counselling Programs

Free and independent financial counselling is one type of assistance delivered through the community sector that is well-established as being effective in assisting vulnerable people in the electricity market. Retailers frequently refer their hardship customers to financial counsellors, so they are actually an integral part of the system for both retailers and consumers. Many vulnerable customers require assistance to establish a payment plan, as documented in our submission to the QPC's Issues Paper. In fact, there are concerns in other states that retailers are in fact overly reliant on the services of financial counsellors in assessing their customers' capacity to pay and negotiating affordable payment plans.¹⁸

¹⁸ Consumer Action Law Centre, August 2015. Heat or Eat.

<http://consumeraction.org.au/wp-content/uploads/2015/08/Heat-or-Eat-Consumer-Action-Law-Centre.pdf>

A survey by the Consumer Action Law Centre (CALC) found that financial counsellors in Victoria spend time assisting vulnerable consumers by:

- *“rectifying problems caused by retailers and negotiating affordable payment plans (44%);*
- *assisting clients access hardship programs (17%);*
- *addressing high consumption (11%)*
- *working to avoid client disconnection or organise reconnection (9%);*
- *assisting clients access utility relief grants (9%); and*
- *addressing a range of other energy related issues (10%)”¹⁹*

While the QPC notes the “*lack of funding for financial counselling*”²⁰ in Queensland in the Draft Report, we believe it is important for the QPC to more clearly outline to the Queensland Government the important role financial counsellors play in the electricity market and how the lack of state government investment in this area diminishes the support available to assist vulnerable people to get good outcomes in the energy market.

We note the Queensland Government has announced a Financial Resilience Program which is scheduled to commence in 2016-17,²¹ however at this stage it is unknown whether this program includes funding for financial counselling. The design and delivery of the Financial Resilience Program is relevant to this inquiry to the extent that it may form part of the targeted support that is available for vulnerable consumers in the energy market. We therefore recommend the QPC recommends the reinstatement of funding for financial counselling positions in Queensland.

Community based energy efficiency programs

There are many examples of successful programs delivering energy-specific support through the community sector. These programs generally seek to assist low income people with a range of energy related issues, with a targeted focus on identifying strategies to reduce a household’s energy bills and empowering clients to control their energy costs for long term and sustainable outcomes. As an example, UnitingCare Kildonan’s energy efficiency model has the following aims:

- *To increase energy affordability, particularly for those who are in hardship*
- *To assist households increase energy efficiency through a holistic approach*
- *To enhance consumer’s rights and access to utilities and community supports*

¹⁹ Consumer Actions Law Centre, Ibid. p43

²⁰ QPC Draft Report, p100

²¹ <http://www.budget.qld.gov.au/budget-highlights/communities.php>

- *To enhance consumer's comfort, health and quality of life as relating to their energy consumption.*²²

The Commonwealth Government's Home Energy Saver Scheme (HESS), which ceased in 2013, is frequently cited by the Queensland community sector as being a successful approach to assisting vulnerable customers. The aim of the HESS program was "*to improve the financial and energy management capability of low-income households to engage with and navigate the energy market through:*

- *access to energy efficiency and financial management information, advice, advocacy, support and appropriate financial products (in particular the No Interest Loans Scheme, known as NILS);*
- *increased knowledge and skills regarding energy efficiency and financial management;*
- *improved energy and financial management practices and strategies; and*
- *integrated service coordination around energy efficiency and financial management*".²³

These programs deliver long term outcomes for clients by addressing income, price and consumption as the driving factors influencing affordability, as well as overcoming informational barriers. This might be achieved by assisting people to access concessions (income), identifying opportunities to reduce or shift energy use which are specific to a particular households' needs (consumption), and assisting people to access competitive market offers or tariff arrangements (price). Importantly, these programs are generally delivered through a home visit as it is understood to be the most effective way to identify tailored solutions to address the needs of a household (as appliance faults and energy use patterns can be easily identified) and barriers in language, literacy and comprehension can be identified and overcome.

There are also examples emerging from the Commonwealth funded Low Income Energy Efficiency Program (LIEEP) which trialled different approaches to delivering energy efficiency outcomes targeted at different low income customer groups.²⁴ QCOSS has been directly involved as a consortia partner in the delivery of two of these projects in Queensland:

²² <http://www.advocacypanel.com.au/media/docs/AP-494-ACOSS-Session-2a---Kildonan-program-e6fb302c-1e5d-404f-bca9-1655051e4b01-0.pdf>

²³

https://www.dss.gov.au/sites/default/files/documents/06_2013/hess_application_information_part_c.docx

²⁴

<http://www.industry.gov.au/Energy/Programmes/LowIncomeEnergyEfficiency/Pages/default.aspx>

- The ‘*Bright Actions*’ Low Income Energy Efficiency Program (LIEEP) provides refugee households with face-to-face in-home energy audits which ensures information is understood and delivered in a culturally appropriate way that overcomes literacy and language barriers.
- *Reduce Your Juice* which is a digital app and rewards program that engages low income tenants in reducing their energy use.

We consider there may be greater opportunities for the Queensland Government to leverage partnerships with industry stakeholders to deliver these types of programs and achieve common objectives in supporting vulnerable consumers under a shared responsibility approach. While the QPC has acknowledged “*the limited number of industry-community partnerships in Queensland compared to other states*”,²⁵ there is no explanation of why this may be the case or how the Queensland Government could better facilitate collaborative approaches to support vulnerable customers in Queensland.

We consider an energy efficiency target or scheme focused on low income consumers in Queensland, if designed appropriately, could encourage such partnerships and deliver on multiple objectives and outcomes for vulnerable consumers in a cost-effective way. We believe the QPC’s Final Report should explore what mechanisms the Queensland Government could introduce to drive industry co-investment in improving support for vulnerable customers.

²⁵ QPC Draft Report, p100

3. Energy management initiatives

The QPC notes that energy management initiatives have not been a high priority in recent years due to falling overall demand.²⁶ While increasing demand may not be a problem at a system-wide level, increasing costs persist as a significant problem for vulnerable households. There are multiple well-established barriers for low income and vulnerable households to manage and control their energy use. There is evidence that many low income customers in hardship have very high consumption.²⁷

QCOSS considers there is a strong need to deliver targeted initiatives for low income and vulnerable households to assist to overcoming these well-established barriers to energy and demand efficiency. These barriers include but are not limited to:

- Lack of access to upfront capital to purchase energy efficient appliances
- Lack of control over housing and fixed appliances due to tenure
- Lack of awareness or understanding about energy or demand efficiency

In relation to the improving awareness and understanding about energy management, we consider the problem to be reach and accessibility of information for vulnerable people. We therefore recommend that awareness and understanding about energy management should be provided by the community sector through the targeted support the QPC has recommended under Recommendation 18 (as discussed in the previous section).

We suggest the other two barriers are failures which the market is unable to resolve, and which therefore require government intervention. It is particularly critical that we start to address these issues now, as the ability for vulnerable households to control the quantity and timing of their energy use will become even more important with the introduction of tariff reform.

We note the QPC has made two specific recommendations for improving the energy and demand efficiency of appliances and housing for low income and vulnerable people. However, we strongly recommend the QPC more comprehensively investigate inter-jurisdictional experiences to formulate evidence based options to address the barriers for low income and vulnerable people in accessing energy and demand efficient improvements. This should include exploration of the costs and benefits associated with a range of energy efficiency initiatives which have resulted in energy efficiency benefits for low income households in other states such as:

- The South Australian Residential Energy Efficiency Scheme (REES) which operated from 2009 to 2014 and was found to be successful in a

²⁶ QPC Draft Report, p245

²⁷ <http://aqlblog.com.au/2015/09/effective-support-for-vulnerable-households-closing-the-gap-between-capacity-to-pay-and-cost-of-consumption-part-2/>

2013 review.²⁸ South Australia has continued its energy efficiency focus under the Retailer Energy Efficiency Scheme from 1 January 2015.

- NSW Energy Saving Scheme (ESS) which was also recently reviewed²⁹
- Victorian Energy Efficiency Target (VEET)³⁰

We believe these schemes have not been given sufficient attention in the QPC's Draft Report.

While we support the intent behind the QPC's recommendations in relation to energy and demand efficiency for vulnerable consumers, we have some concerns they may not achieve the intended outcomes in practice. Our perspectives on these recommendations are provided below.

Energy and demand efficient appliances

It is increasingly important that low income households not only have access to energy efficient appliances, but also access to appliances with built-in timers or delay functions which will become more important to enable people to shift usage to adjust to tariff reform.

The key recommendation put forward by the QPC in relation to energy and demand efficient appliances is to recommend that the Queensland Government investigate funding a program to subsidise the purchase price of energy and demand efficient appliances for customers who have accessed the *Home Energy Emergency Assistance Scheme (HEEAS)* due to the breakdown of an existing appliance. We support the intent of this recommendation, and in particular the desire to create a link between energy efficiency subsidies and other aspects of the support framework for vulnerable consumers. Certainly this approach has been effective in the past – for example, there were subsidies provided off the cost and delivery of certain energy efficient appliances that were purchased under the No Interest Loan Scheme (NILS).³¹ This was delivered as part of the Home Energy Saver Scheme (HESS), as described earlier.

However, we consider the QPC has been too specific in formulating this recommendation without fully considering other options and the current HEEAS

²⁸ https://www.sa.gov.au/_data/assets/pdf_file/0004/36319/REES-Review-Report.pdf

²⁹ <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/sustainable-energy/efficiency/scheme/energy-saving-scheme-review>

³⁰ <https://www.veet.vic.gov.au/>

³¹

http://www.goodshepherdmicrofinance.org.au/sites/default/files/27%20May%202013_%20Media%20Release_%20HESS%20Launch_Final%20Version.pdf

eligibility requirements. For example, eligibility for HEEAS requires an applicant to have incurred an unexpected out-of-pocket expense in the past 12 months, which can include a broken essential appliance such as a fridge or washing machine. This means that in order to apply for HEEAS using this reason, the applicant would have already paid to replace or repair the appliance, potentially months earlier, and would be required to state this cost on their application form. We understand that the QPC has also recommended a review of the HEEAS application and lodgement processes. Without significant overhaul of the HEEAS eligibility criteria, we have concerns about the ability of this approach to reach vulnerable households at the right time to assist them in upgrading to an energy efficient appliance.

We therefore recommend that further investigations take a broader view of the range of possible alternatives to reducing the upfront cost of energy and demand efficient appliances for low income households. We suggest the QPC specifically explore the approach taken in delivering subsidies through HESS/NILS. Subsidies to upgrade appliances could be delivered through the community sector, as a complementary measure alongside NILS. Community organisations delivering NILS work with vulnerable households on a daily basis, and are well placed to identify households with high bills and inefficient appliances who would benefit from subsidies to ensure assistance is well-targeted to those most in need.

Housing and fixed appliances

The existence of split incentives between landlords and tenants in the private rental market has long been identified as a problem by various stakeholders. While we encourage the QPC to undertake rigorous analysis to identify options to resolve these problems, we acknowledge that these barriers are likely to persist for many disadvantaged tenants in the short to medium term. We believe this problem further highlights the need for a percentage based concession to at least alleviate some of the affordability problems experienced by vulnerable tenants in the private rental market. Concessions that adjust to more equitably compensate tenants for the higher energy costs incurred as a result of their accommodation is necessary where more direct policy responses are not feasible or effective.

In acknowledging the difficulty of addressing these problems, we must also highlight the potentially disastrous consequences of these issues remaining unresolved. While those that own their own homes can invest in opportunities to reduce their energy costs (i.e. solar, batteries and energy efficient upgrades), those who cannot will be disadvantaged and bear a greater proportion of the total costs of the system. This is an unacceptable outcome with potentially wide-ranging social and economic consequences. This should be of significant concern across the whole of government. Immediate and significant government intervention is required to resolve this problem in acknowledgement that the energy market is not able to address these problems alone.

The QPC has recommended that the Queensland Government investigate “*placing a requirement on landlords to meet certain standards of energy efficiency and demand management in their housing stocks*”.³² We note that any recommendations that seek to create obligations on landlords must also include scope for mediation between the tenant and owner to assist with consent and installation. Anecdotal feedback for the community sector suggests that low income households are hesitant to make complaints or make requests of their landlord, for fear of jeopardising their tenancy. This power imbalance must be recognised when designing policy solutions in this space, particularly when the tenants being targeted are identified as low income and vulnerable.

One of the key problems identified by those in the community sector who work with low income households is the poor quality and efficiency of hot water systems. Hot water makes up a high proportion of the total electricity usage for the average Queensland household. We therefore suggest hot water systems should be certified upon renewal of a tenancy agreement to ensure they are working effectively and meet efficiency standards, similar to the requirements for smoke alarms. Connection to controlled load tariffs could also be arranged at this time to enhance affordability and prepare rental housing for tariff reform in the future.

We assume that the QPC’s recommendations for “landlords” will also apply to the Queensland Government. It is disappointing the QPC has not been more explicit in its recommendations for improving energy management for public housing tenants, as the QPC has noted:

- The Queensland Government is the one of the largest landlords in the state, with around 20-25 per cent of the rental market made up of public housing.
- The Queensland Government has the “*direct capability to assist its tenants to access demand response opportunities*”³³.
- There is a “*clear disincentive for public housing tenants to invest in improvement to their own housing*”³⁴

To clarify this, we recommend the QPC include a separate recommendation that the Queensland Government improve the energy and demand efficiency of its public housing stock, with a focus on improving affordability for its tenants.

We believe there are likely to be a number of opportunities the Queensland Government could explore to improve the cost of energy for their low income public housing tenants and ensure equitable access to new technologies, including:

³² QPC Draft Report, Recommendation 54, p250

³³ QPC Draft Report, p248

³⁴ QPC Draft Report, p249

- Leveraging retailer funds in targeted co-investment programs³⁵
- Arranging free access to controlled load tariffs for hot water systems through the distribution businesses³⁶
- Negotiating bulk deals for the purchase and installation of efficient fixed appliances, solar or other technologies
- Developing and promoting public information for public housing tenants about the value of energy efficiency measures available to them and clear, simple steps for them to implement those measures (including those that may require landlord approval such as connection to a controlled load tariff or installation of an advanced meter).
- At a minimum, it is essential that the Queensland Government does not obstruct public housing tenants from accessing energy and demand efficient improvements where the tenant is able to pursue these options through market offers.

We believe any consideration for improving the energy and demand efficiency of public housing must consider the status of the existing stock to identify gaps and opportunities. Solutions could include facilitating access to solar PV, solar hot water systems, controlled load tariffs for electric hot water systems, direct load control for air conditioning and in-home displays. The primary objective should be improving affordability for vulnerable tenants – in the short term but also taking into consideration long term trends and technologies.

By not addressing these issues for public housing tenants, vulnerable people will end up paying a growing proportion of the total costs of the system which will compound disadvantage in our communities.

³⁵ For example, we note the QPC acknowledges AGL's submission to the QPC which proposed a targeted co-investment program to upgrade housing stock.

³⁶ We note incentives have been offered to customers to cover their out-of-pocket expenses in changing to a controlled load tariff. See:

https://www.ergon.com.au/_data/assets/pdf_file/0016/122911/Hot-Water-Offer-Trade-Brochure.pdf

4. Consumer safeguards for changing market conditions

Emerging technologies

We agree with the QPC that “*an effective consumer protections framework will respond to emerging market conditions, and emerging technologies and business models*”.³⁷ However, we have concerns about waiting until the review of the National Energy Retail Law (NERL) to be undertaken in 2018. The rapid emergence of new technologies in the energy market represents a period of significant change for consumers. QCOSS believes the government’s role in building trust at these points of significant change includes ensuring there are appropriate and effective consumer protections to minimise consumer detriment and build confidence at these critical points in the development of the market. As these technologies are already in the market, it is important that gaps in the consumer protections framework are addressed immediately.

We appreciate that many parts of the electricity market fall under the national framework and encourage the Queensland Government to work proactively with COAG to progress the necessary reforms. However, the jurisdiction of the Energy and Water Ombudsman Queensland (EWOQ) is the responsibility of the Queensland Government. As such, we believe the Queensland Government should investigate opportunities to expand the role of EWOQ in dispute resolution for these emerging technologies and business models.

Retail competition in regional Queensland

We recognise that the issues explored in the chapter on retail competition in regional Queensland are complex. We support maintaining the Uniform Tariff Policy in the interests of regional development and employment in the regions.

The QPCs recommendation to introduce retail competition in regional Queensland assumes natural attrition of customers from Ergon Energy over time. This contrasts with the approach in SEQ where customers were divided across two retailers upon the introduction of full retail competition. We consider it is important to acknowledge that competition may therefore take some time to develop effectively in the regions. Further consideration for the how this will impact the benefits delivered to consumers may be required. We consider the introduction of retail competition to be a significant point of change in the market and that it should therefore be accompanied by strong role for government to build trust and credibility in the market.

Given the status of retail competition in regional Queensland, we also note that issues associated with consumer protections for emerging technologies and business models that may sit outside the NECF are potentially more acute for

³⁷ QPC Draft Report p94

regional customers. As regional customers have less options available to them in terms of choice of retailer, they are likely to be interested in investigating options, such as solar PPAs. Potentially even more so than customers in competitive markets who have a range of other choices. We also note that the option for regional customers to go off-grid and use a combination of solar and batteries may also be more cost-effective for the system in terms of reducing network costs and the CSO over time.

We raise this to the QPC as we understand the development of an appropriate consumer protections framework for these emerging technologies and business models is occurring at the national level where there is an inherent assumption that solutions will be delivered in competitive markets. It will therefore be critical for the Queensland Government to strongly represent the interests of regional Queensland customers in this process to ensure the outcomes are equally appropriate for non-competitive markets. We refer to the AEMC's Final Determination on Expanding Competition in Metering³⁸ as an example of national rules where benefits are less likely to be delivered to regional Queenslanders due to the nature of competition in the regions.

Deregulation in SEQ

We acknowledge that the QPC's recommendation to deregulate electricity prices in SEQ has already been accepted by the Queensland Government and will be implemented from 1 July 2016.

The QPC's Draft Report refers to multiple separate analyses – by the Australian Energy Market Commission (AEMC), Essential Services Commission (ESC) Victoria, St Vincent de Paul Society and CME – which point to concerns about standing offer prices in Victoria being above industry average total costs.³⁹ The Draft Report also cites evidence of growing price dispersion in deregulated markets, with retailers offering market contracts priced at the marginal cost of supply, often with conditional pay-on-time discounts that make them inaccessible to vulnerable consumers who may struggle to pay their bills. The Draft Report also notes that the AEMC has identified that standing offer customers in SEQ are located in areas that correlate with indicators of socio-economic disadvantage,⁴⁰ highlighting that it is low income and vulnerable consumers who are most likely to be positioned at the upper end of this price dispersion.

Effectively, it appears from experiences in other deregulated markets that there is a risk that low income consumers on standing offer contracts will end up subsidising the market contract discounts being enjoyed by other customers. We do not consider a market that creates price dispersion that results in society's most vulnerable paying higher prices for an essential service to be a good outcome. Given there is evidence of this being the case in other states

³⁸ AEMC, 2015. Expanding Competition in Metering. Final Determination, p45

³⁹ QPC Draft Report, p125

⁴⁰ QPC Draft Report, p132

where prices are deregulated, we consider this presents a real risk for consumers in SEQ.

It appears our concerns about vulnerable consumers on high-priced standing offer contracts is a concern shared by other stakeholders. For example, AGL recently sought to address this problem by providing Victorian concession card holders on standing offer contracts with discounted prices. While we strongly support AGL's intent and applaud their efforts, it is unlikely this action will be taken consistently across the market and by other retailers. We also note that without changes to the eligibility criteria of the Electricity Rebate in Queensland as proposed in the Draft Report, this action, if taken in SEQ, would not reach the most vulnerable households and thus would be less effective.

The QPC agrees that *"requiring all retailers to publish their standing offers on the same day would make it easier for customers to compare and understand different electricity offers, which would help to promote greater competition in the standing offer market"*.⁴¹ The Draft Report also states that several stakeholders have raised concerns about the competitiveness of standing offer arrangements in the NEM.⁴² It is not clear then, why the QPC has not made a recommendation to introduce this as part of deregulation of prices from 1 July 2016. While the QPC has recommended the Queensland Government consider this as part of their review of the NERL, we believe given the evidence in other states and the high proportion of consumers on standing offers in SEQ, that more immediate action is required to safeguard outcomes for vulnerable consumers.

We therefore consider the QPC's recommendation should to be introduce legislative changes that require retailers to publish standing offer prices on the same day from 1 July 2016. The foreshadowed review of the NERL in 2018 could be used to determine whether it is necessary to retain this requirement, depending on how the market develops. We also believe the reasons for increases in standing offer prices should be made transparent and published alongside standing offer prices. The QPC states that price regulation is no guarantee of lower prices⁴³ – however price regulation does guarantee that the prices that are set are transparent and clearly justified through the Queensland Competition Authority (QCA) Determination process. There is no such transparency in the current framework for standing offer prices in a deregulated market. We consider that efforts to improve transparency from the outset is the best way to build trust and engage consumers in the deregulated market, and ensure the market does not compound disadvantage for vulnerable consumers.

⁴¹ QPC Draft Report, p104

⁴² QPC Draft Report, p103

⁴³ QPC Draft Report, p124

Market monitoring

We agree with the QPC's recommendations to specifically monitor the impacts of deregulation on low income and vulnerable consumers, including monitoring the outcomes for customers who do not meet the conditions attached to their contracted discounts.

We also consider there needs to be more public transparency on the outcomes the market is delivering for low income and vulnerable consumers, and what offers they are accessing. Thus, we recommend the QCA's market monitoring require retailers to report on the offers that their vulnerable customers are on, including those in receipt of a concession payment and their customers who are on payment plans or hardship programs.

We also consider there needs to be more transparent information and public commentary on the quality of service being offered by retailers in their hardship programs. For customers who are on low incomes, the quality of service in terms of hardship is potentially more critical than price. The benefits of a big discount can be quickly eroded if the customer is unable to easily get entry into the hardship program or if the quality of what is offered as part of the hardship program is greatly diminished. Aside from anecdotal information shared within the community sector, there is limited information available to consumers about this aspect of service quality.

It would therefore be useful for the QCA's marketing monitoring report to provide information and public commentary on the quality of service being offered by retailers in their hardship programs, including the provision of services of significant value to vulnerable consumers such as energy audits and appliance replacements. More transparency is required about the activities of retailers in these areas.

Additionally, given retailers now have greater access to credit information about this customers (and potential customers) we have concerns this may result in 'cherry picking' by retailers. This may in the form of the offers they make (only offering pay-on-time discounts) or refusing a customer after a credit check. We recommend the QPC consider this issue as a potential risk for vulnerable consumers in the market, and investigate options for how this might be monitored to identify emerging issues.

Consumer engagement and participation

We support the QPC's recommendation that the Queensland Government "*provide assistance to NGOs to assist vulnerable and disadvantaged consumers to fully participate in the market*". It is important at this assistance drives not only short-term or one-off results in terms of switching, but that it empowers and support vulnerable customers to benefit in the deregulated environment in the longer term.

To achieve this, it is necessary to build a foundation level of knowledge about tariffs, kilowatt hours, fixed and variable charges and how to find information on

the bill. This information is essential to be able to use the Energy Made Easy comparison service effectively.

QCOSS has documented the challenges experienced by low income and vulnerable customers quite extensively in our submission to the QPC's Issue Paper. We note that the assistance delivered to vulnerable consumers must address these barriers and consider the specific nature of the issues that face vulnerable customers in the market, including risk associated with:

- Switching to a new retailer when there is existing debt owing to an existing retailer
- Taking up pay-on-time discounts and not being able to pay the bills on time (this is especially important for those offers that result in the customer losing the discount for the duration of the contract if they pay late on only one occasion)
Understanding differences in the quality and accessibility of hardship assistance across different retailers
- Ensuring that concessions transfer across to new retailers and that concessions are applied consistently when comparing different offers (as they can be applied before or after discounts).