

RTA response to Queensland Productivity Commission Draft report: Electricity Pricing Inquiry 3 February 2016

Renting that works for everyone

More than a third of Queensland households rent their homes and the Residential Tenancies Authority (RTA) plays a key role supporting and regulating the sector. In line with the *Residential Tenancies and Rooming Accommodation Act 2008* (the RTRA Act), the RTA delivers impartial tenancy information, bond management, dispute resolution, investigation, and policy and education services.

The RTA also provides policy advice to the Minister for Housing and Public Works, provides and analyses sector data, and conducts research. We work with all sector groups including tenants and residents, property owners and property managers, community and industry stakeholder groups and the Queensland Government.

The RTA was founded in 1989 as the Rental Bond Authority and currently holds more than 540,000 rental bonds. The RTA website receives more than 2 million visits per year, and our Contact Centre staff answer more than 1600 calls per day. Our Client Support service assists more than 5600 clients per year with self-resolution strategies, and we manage more than 26,000 requests each year for free dispute resolution assistance. Each year we conduct around 500 investigations into alleged offences under the Act and our range of education services includes hosting webinars and seminars for clients across Queensland.

Renting in Qld

- **35.6%** - Proportion of occupied private dwellings rented in Qld (*2013-14 Housing Occupancy and Costs survey, ABS*)
 - **628,300** - Occupied rented dwellings in Queensland, including social housing (*2013-14 Housing Occupancy and Costs survey, ABS*)
 - **\$350** - Qld median weekly rent 2015 – houses and flats (*RTA bond data*)
 - **\$200.15** - Qld median weekly rent ,December 2015 quarter – caravans (*RTA bond data*)
 - Median length of tenancies in 2015 for:
 - All dwellings – **13.5 months**
 - Houses – **15.8 months**
 - Flats – **12.6 months**
 - Caravan tenancies - **5.2 months** (*RTA bond data*)
 - **70.4%** - Rental properties are located in South East Queensland (*RTA bond data*)
 - **93%** - Rental bonds lodged by property managers/agents
 - **7%** bond lodged by property owners (*RTA bond lodgement data 31 Dec 2015*)
-

Electricity charging and the *Residential Tenancies and Rooming Accommodation Act 2008* (RTRA Act)

The QPC draft report on the Electricity Pricing Inquiry made a specific recommendation around residential tenancies:

Draft Recommendation 54 (part): “The Queensland Government should investigate: Placing a requirement on landlords to meet certain standards of energy efficiency and demand management in their housing stocks”

RTA response:

In theory, more energy efficient rental properties might result in lower recurrent energy consumption costs for tenants. There would be a greater benefit for low income tenants due to the relatively greater impact of energy costs on their overall cost of living where tenants are charged directly for electricity consumption. However there are a number of issues that also need to be considered:

Extent of energy inefficient rental housing stock

The *Residential Tenancies and Rooming Accommodation Act 2008* (RTRA Act) requires that the property owner ensures that premises are fit to live in, are in good repair and comply with laws on health and safety.

The percentage of rental housing stock that is energy inefficient is unknown and difficult to estimate. There is no data source providing reliable details on the condition of rental housing stock generally or on whether the property is energy efficient. Therefore it is difficult to quantify the extent of the problem and the benefit that would be derived from imposing additional regulatory requirements.

Energy efficiency is a housing issue but not tenure specific

Due to the movement of stock between the owner occupied and rental tenures, it is more appropriate to consider energy efficiency as a housing issue rather than a rental issue.

Data from several sources including the RTA, the Census and the Australian Taxation Office indicates that most landlords own one, or at most two, properties. Nearly 25% of rental properties are sold within one year of being purchased. A proportion of rental stock is owned by “accidental landlords” who are temporary landlords due to inheritance, issues with property sales, relocation and other reasons. Consequently, a proportion of housing stock moves between being rental housing and owner occupied housing.

While owner occupiers may be more likely to make modifications such as installing solar hot water systems or insulation, the situation is more complex. Newer housing stock is more energy efficient. Low income people are less likely to make modifications to improve energy efficiency regardless of tenure.

Access to incentives

There may be barriers to landlords accessing some incentive programs such as rebates (eg hot water system replacements, energy efficiency programs such as insulation) which are

usually directed at owner/occupiers and do not encourage uptake by owners of rental properties, or tenants.

There are also some barriers to tenants to access incentives and rebates. For example, solar bonus scheme returns are generally retained by the landlord, and tenants may not be able to access electricity rebates if the account is not in their name. RTA figures also indicate that the median length of tenancies is around 13.5 months (15.8 months for houses, 12.6 months for flats), indicating that tenants would not necessarily reap any significant benefits from arranging their own energy efficient modifications to rental properties.

Costs of regulation

Over the last few years, there has been an increase in compliance costs for rental properties due to increased regulation for fire safety and for pool safety. These costs and any additional costs due to new regulatory requirements such as energy efficiency are likely to eventually flow through to rents. Rents generally are not set on the basis of costs and the yield on rental properties is relatively low with many owners apparently relying on capital gains for return. However rents are a function of supply and demand and inevitably compliance and other costs affect supply placing upward pressure on rents.

Enforcement

Any regulatory requirement to require a certain level of energy efficiency would pose some challenges in ensuring compliance. Potentially some certification for all rental properties would be required at least once, which would affect more than 628,000 properties across Queensland.

Other issues

How electricity is charged for some tenants potentially has a greater impact than energy efficiency. While most tenants are able to contract directly with an electricity supplier, there are a number of situations where this is not possible or practical. Examples include caravan parks and community title properties where the caravan park manager or body corporate enters into a contract with a bulk provider and then on-sells the electricity; older blocks of flats with only one meter for the property; or duplexes where one tenant establishes the electricity account and bills the other tenant.

The RTRA Act (sections 164 to 169) sets out the obligations for tenants where they pay for, or are charged for, electricity as part of their tenancy (referred to as service charges and utility services). This is affected by whether the premises are individually metered, and whether they are general premises (eg flats, houses), moveable dwellings (eg caravans) or rooming accommodation (eg boarding houses, room-only accommodation).

The RTRA Act states that the property owner cannot charge more than the cost of the electricity, which results in ambiguity about charging fees such as late fees and meter reading fees, and how much a tenant can be charged for where there is a solar bonus scheme (ie the full amount, or the amount less rebate).

A more significant issue is that tenants have difficulty accessing electricity rebates where the account is not in their name, and have no option to contract with an energy retailer for a lower cost. Clear rules for charging for electricity are not necessarily a matter for tenancy law and should be dealt with clearly in energy supply legislation.

Summary

Placing a requirement on property owners to meet certain standards of energy efficiency in their housing stock would be difficult to enforce, and may not achieve the intended outcome due to the complexity of the rental market and housing types. Costs may also be passed on to tenants through increased rents to cover the landlord's expenses of compliance, or through increased rents resulting from a tighter market if non-compliant properties are withdrawn from the rental pool.

Any requirements for energy efficiency in housing stock should apply consistently across both owner/occupier and rental premises, given the nature of rental premises to move in and out of the market.

A more efficient and effective way to achieve the outcome of reducing energy costs for low income tenants would be to direct specific concessions to them rather than to impose indirect obligations and costs on third parties.

Further contact:

David Breen
Executive Manager, Policy and Education Services
Tel: 3046 5665
Email: david.breen@rta.qld.gov.au

Date: 11 March 2016

Charging tenants for electricity

The specific sections of the RTRA Act around service charges are as follows:

- S.164 *Meaning of service charge*. This section defines a service charge in a general tenancy or moveable dwelling premises to include electricity or gas supplied to the premises.
 - S.165 *General service charges for premises other than moveable dwelling premises*. This section outlines requirements where the tenant is required to pay an amount for a general service charge (ie electricity and gas) in general rental premises where the premises are individually metered, or not individually metered.
 - S.167 *Service charges for moveable dwelling premises individually metered*. This section establishes that tenants can only be charged service charges such as electricity and gas if the premises are individually metered, and how much the tenant can be charged. For example, tenants cannot be charged more than the amount charged by the relevant supply authority.
 - S.168 *Service charges absorbed in rent for moveable dwelling premises*. This section outlines options when service charges for facilities such as electricity and gas are absorbed into the rent payable for the moveable dwelling premises, and the service is not available, and requirements for the lessor/agent to be able to attribute the amount of rent which relates to the service. The maximum amount of rental bond that can be taken is dependent on whether electricity is included or not.
 - S.179 *Charge for utility service (rooming accommodation)*. This section establishes utility services to include electricity and gas, and restricts residents from being charged for the utility unless the premises are individually metered. The resident can only be charged the amount the provider is charged for the service, and if the premises are individually metered.
 - S.171 *Supply of goods and services*. This section prevents a person from requiring a tenant to agree to buy goods and services from a nominated supplier as a condition of the prospective tenancy.
-