

23 March 2016

Ms Tania Homan
Executive Director
Queensland Productivity Commission
PO Box 12112
GEORGE STREET QLD 4003

Dear Ms Homan

Electricity Pricing Inquiry – Draft Report, Recommendation 54

The Real Estate Institute of Queensland (“**REIQ**”) appreciates the opportunity to comment on Recommendation 54 contained in the Commission’s Draft Report in relation to the Inquiry into electricity pricing.

Recommendation 54 states that the Queensland Government should investigate “*placing a requirement on landlords to meet certain standards of energy efficiency and demand management in their housing stock*”.

The REIQ understands that this Inquiry requires the Commission to consider a range of issues including the impact of electricity pricing on vulnerable customers and measures that can be implemented to provide further support to them. We note that Recommendation 54 responds to calls from various stakeholders to provide greater support to low-income households that face barriers to participate in the electricity market due to their housing tenure.

The REIQ acknowledges that Queensland’s escalating electricity prices have a greater impact on low-income earners. To this end, the REIQ agrees in principle with the introduction of targeted initiatives and strategies to provide support to financially vulnerable persons and households.

The REIQ does not however support Recommendation 54.

Firstly, the recommendation does not specifically outline the ‘standards’ of energy efficiency a landlord must meet. Accordingly, it is difficult to support the recommendation given its ambiguity.

We presume that the recommendation proposes that a landlord must offer rental accommodation that provides energy efficient design, lighting and appliances. For pre-existing homes, retrospective energy efficiency compliance would be costly and would arguably negatively impact on rental supply levels and costs. The additional expense associated with constructing (or retrospectively fitting) energy efficient rental properties and ongoing management may deter property investors and will likely lead to an increase in rents to compensate for additional compliance costs.

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In Queensland, over a third of the population live in rented premises, and a consistent and affordable rental supply is critical to the Queensland economy and population.

Although more energy efficient designed homes and appliances will have some impact on the level of electricity bills issued to tenants, there are other factors likely to have a more significant impact. For example, the number of occupants living in the home, changes in circumstances (such as a new baby or unemployment creating higher power usage), applicable tariffs and usage times, seasonal factors as well as energy inefficient appliances.

Imposing mandatory energy efficiency standards on all rental properties is also likely to create a financial disadvantage for owners of established and/or older properties. Landlords who own the latter are more likely to face substantial costs associated with retrospective changes when compared with new constructions which offer more energy efficient design and products. Further financial disadvantages may include lower rents for less energy efficient properties. These factors may also lead to investors preferring to purchase new housing stock.

We recommend that greater resources be devoted to educational programs and audits for low-income households. Improved appliance management and energy usage education may assist in the reduction of electricity bills. Similarly, direct grants or targeted concessions are a more efficient form of assistance.

As the Draft Report identifies, there are no easy or quick 'fixes' for lowering electricity supply costs.

Queensland's electricity price increases have largely been driven by escalating network costs. Other factors which have contributed include the Solar Bonus Scheme and the Australian Government's Renewable Energy Target.

It is clear that productivity improvements are needed across the electricity supply chain, particularly in the provision of electricity networks.

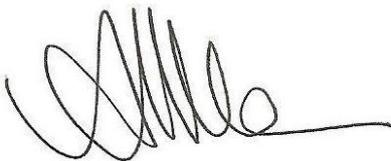
In view of the above, the proposed recommendation is not a practical or long term solution to the problem of escalating electricity prices.

It is inappropriate, in our view, to require landlords to invest in substantial and costly changes in order to assist low-income earners to reduce their electricity bills. A far more direct and efficient way to assist low-income households is to offer targeted concessions and/or rebates to provide greater financial support to those most in need. Additional educational and audit related resources should also be considered.

We confirm that no aspect of this submission is confidential.

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Yours faithfully



Antonia Mercorella
Chief Executive Officer