

Submission to the Economics and Industry Standing Committee

Inquiry into Microgrids and Associated Technologies in WA

16 November 2018

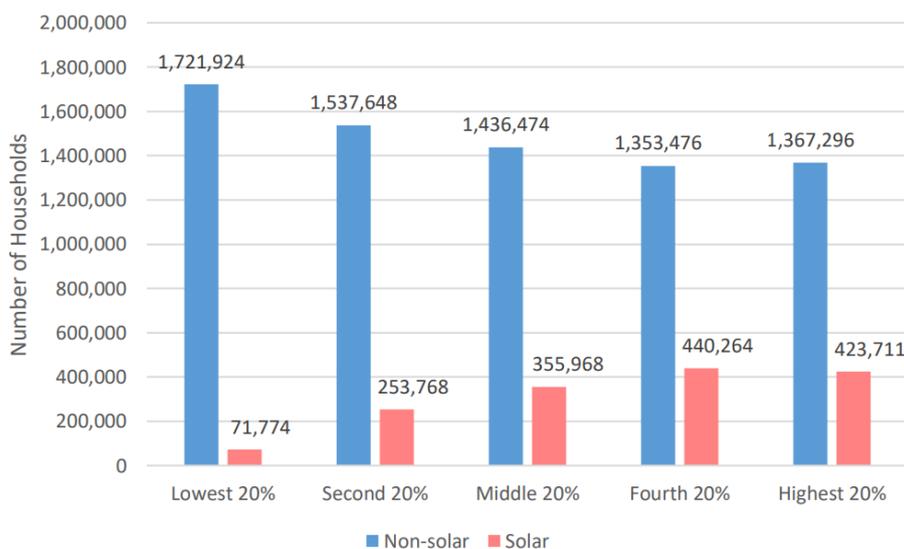
The Western Australian Council of Social Service Inc. (WACOSS) welcomes the opportunity to make a late submission to the Economics and Industry Standing Committee Inquiry into Microgrids and Associated Technologies in WA.

WACOSS is the peak body of community service organisations and individuals in Western Australia. WACOSS stands for an inclusive, just and equitable society. We advocate for social and economic change to improve the wellbeing of Western Australians and to strengthen the community services sector that supports them. WACOSS is part of a national network consisting of ACOSS and the State and Territory Councils of Social Service, who assist people on low incomes and experiencing disadvantage Australia wide. WACOSS also sits on the National Consumer Roundtable on Energy.

Distributed Energy and Low-Income Consumers

Western Australians have been embracing residential rooftop solar photovoltaics (PV) at an incredible rate, with around one in four households installing PV. The ability for households to access this technology is not equal, however, and for those on lower incomes or in rental housing there are few opportunities to benefit from solar through reduced consumption costs.

Solar panel households by wealth quintile Australia-wide



Source: ACOSS and the Brotherhood of St Laurence (2018) *Energy Stressed in Australia*

Nearly 17 per cent of Australian households have solar panels, reducing their energy bills by an average of \$400 per annum.¹ This risks the scenario that those who cannot afford or access solar will continue to pay more for their energy, while those who can will pay less, increasing energy and financial inequality.

While this inequity of access is a significant issue across Australia, Western Australia in particular has one of the lowest levels of solar PV installation on dwellings occupied by those experiencing the highest levels of socio-economic disadvantage in our community.

Shares of suitable WA dwellings with rooftop Solar PV installed: to June 2017, by state/ territory and level of socioeconomic disadvantage

Share of suitable dwellings with rooftop Solar PV installations State or territory							
Level of disadvantage	NSW	Vic	QLD	SA	WA	Tas	NT
Decile 1 (most disadvantaged)	16.5%	0.0%	4.2%	29.7%	7.4%	21.2%	0.0%
Decile 2	20.6%	14.0%	36.1%	30.4%	16.0%	11.0%	12.7%
Decile 3	21.8%	18.5%	28.7%	34.7%	18.8%	13.7%	3.2%
Decile 4	21.0%	21.4%	30.3%	34.3%	21.1%	15.0%	5.5%
Decile 5	20.3%	18.5%	38.4%	33.0%	29.4%	15.6%	0.8%
Decile 6	16.4%	19.3%	26.2%	38.5%	28.7%	11.1%	7.3%
Decile 7	16.0%	16.8%	37.9%	31.8%	28.9%	14.4%	10.9%
Decile 8	12.0%	19.8%	35.5%	62.2%	28.9%	13.6%	18.1%
Decile 9	14.4%	13.6%	30.5%	31.6%	30.9%	15.4%	11.6%
Decile 10 (most advantaged)	11.6%	10.7%	0.7%	30.7%	21.5%	0.0%	5.8%
All	16.8%	16.2%	33.7%	33.2%	27.3%	14.0%	12.3%

Notes: Illustrative weekly residential household energy costs are calculated for households consuming 15kW/h on Tariff A1. Charges are those presented in Figure 38.
Source: Bankwest Curtin Economics Centre | Authors' calculations from WA Treasury (sources as for Figure 38).

This is despite the benefits for those on low incomes being clear. Some lower income households can have higher energy consumption, especially those in poor quality housing. These households may be more home-bound, including children, seniors, those with long-term health issues or people living with a disability, and so may be consuming more energy through the day.

Recognising the inequitable access to PV technology, the South Australian Government is implementing a Virtual Power Plant trial that it plans to expand to all its 24,000 public housing properties.²

The WA Government invested in a trial Virtual Power Plant (VPP) in Kalgoorlie, involving a distributed rooftop solar and battery system including public housing for the purpose of reducing electricity bills for residents. We commend this initiative and encourage the State Government to conduct a feasibility study to expand this program across the entire public and community housing network.³

The Frontier Economics analysis of this program indicates that the rollout to SA Housing Trust customers alone would add approximately 130MW of additional rooftop PV generation capacity, and 130MW/330GWh of distributed, dispatchable battery storage. They have further estimated that

¹ ACOSS and Brotherhood of St Laurence (2018) *Energy Stressed in Australia*

² Government of South Australia (2018) *South Australia's Virtual Power Plant*, virtualpowerplant.sa.gov.au/

³ WACOSS (2018) *Vision 2020: State Budget Submission*, <http://wacoss.org.au/wp-content/uploads/2018/10/State-Budget-Submission-2019-2020.pdf>

the proposal would reduce the wholesale energy price by around \$8/MWh or about \$90 million per annum across all South Australian customers even if only the SA Housing Trust customers participated in the arrangement.⁴

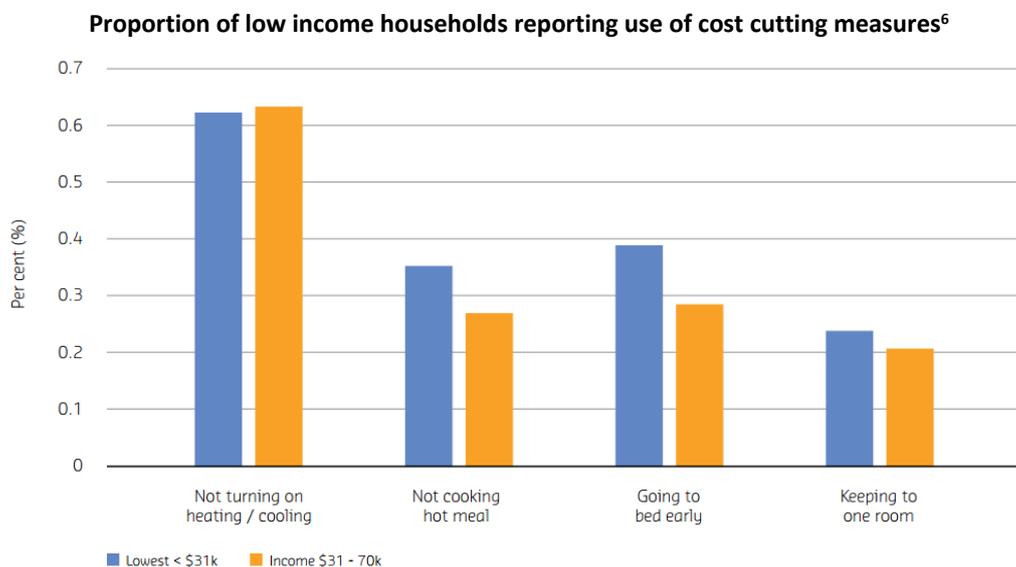
The Australian Council of Social Service and the Brotherhood of St Laurence have made the following recommendations to enable low-income households to benefit from distributive energy:

- Federal and state government investment in solar equity programs for public and community housing.
- Federal and State government investment in clean energy for remote Aboriginal and Torres Strait Islander communities.
- Federal, state, local councils and energy retailers working cooperatively to co-fund ongoing programs to provide access to solar photovoltaic technology for low-income and disadvantaged households.
- Programs for renters that benefit both landlord and tenants. Pricing reform is also needed to ensure non-solar households are not paying more for network costs.⁵

Home Energy Efficiency and Consumption

While many households are able to invest in home improvements and the latest energy-efficient appliances, for Western Australians on the lowest incomes there are few options available to increase energy efficiency and reduce consumption costs.

The 2016 BCEC Energy Poverty survey found that a number of low-income households were resorting to different measures in order to reduce their power bills.

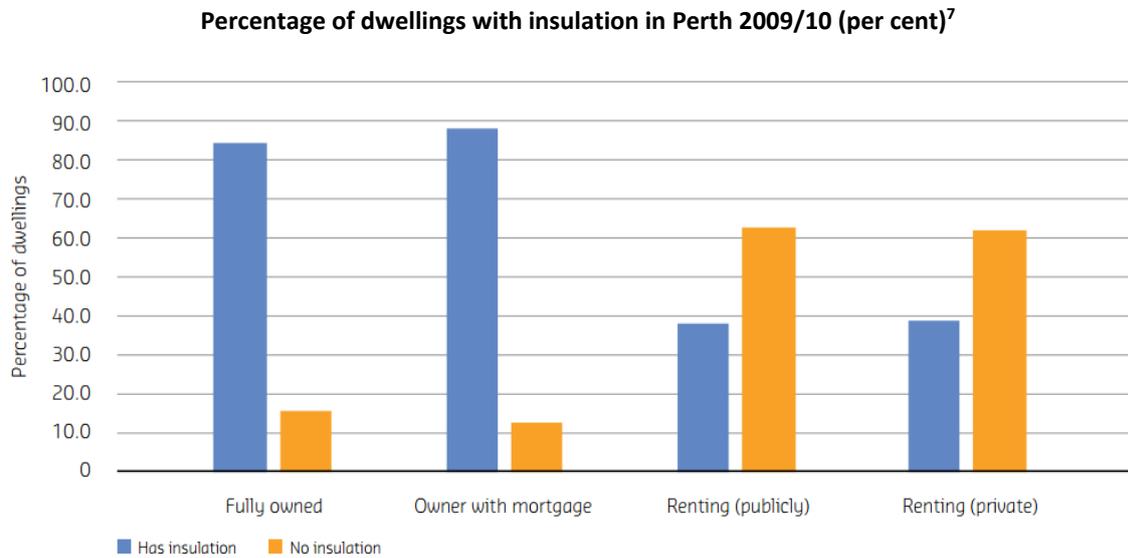


⁴ Frontier Economics (2018) *South Australia's Virtual Power Plant*, <https://www.frontier-economics.com.au/documents/2018/02/south-australian-virtual-power-plant-summary-note.pdf/>

⁵ ACOSS and Brotherhood of St Laurence (2018) *Energy Stressed in Australia*

⁶ Bankwest Curtin Economics Centre (2016) *Energy Poverty in Western Australia*

The report found that rental households were dramatically less likely to be insulated, meaning that those on low incomes were more likely to be using more power to regulate the temperature in their dwelling.



Source: ABS, Cat. No. 4656-5

The State Government can support households in hardship to increase energy efficiency in their homes through a combination of energy audits, education and appliance upgrades. Free energy audits of homes and appliances provided to eligible households can help determine how excessive energy use can best be reduced through a combination of behaviour change, efficient appliances and home efficiency improvements.

Government can also make those improvements an affordable reality by assisting these households in accessing higher-cost, but high-return, energy efficient appliances and, when they are owner-occupiers, home improvements. New South Wales⁸ and Tasmania⁹ have demonstrated that there are low-cost, targeted and collaborative methods available in making this policy feasible and affordable.

Offering a three-year interest free loan for efficient appliances would effectively allow eligible applicants to pay back a considerable portion of the initial loan through energy savings during this period.

Improving efficiency acts as a strong complementary solution to concessions reform.

The government also has a clear duty to provide energy efficient home improvements for those in public housing, where the ability of tenants to shift to other housing is curtailed and have limited options to modify the housing themselves, leaving them burdened with high energy bills.

⁷ Ibid.

⁸ Office of Environment & Heritage (2017) 'Government programs and financial help', NSW Government

⁹ Matthew Groom (2017) 'Funding for TEELS to increase to \$20 million', Tasmanian Government

Energy audits prepared for public and private renters that indicate where home improvements are needed could be supplied to the relevant lessor for action to be taken to address these issues.

The report *Heatwaves, homes and health: Why household vulnerability to extreme heat is an electricity policy issue* by the Centre for Urban Research at RMIT highlights the significant risk posed to vulnerable households by the increasing prevalence of extreme heat, particularly in our tropical northerly climactic regions. It raises concerns about policy initiatives in the National Electricity Market (which does not include WA or NT) that aim to reduce peak electricity demand via 'price signals' which would make energy significantly more expensive during heatwaves, indicating significant risks to the health and well-being of vulnerable population groups (including seniors, infants and those with medical conditions such as thermo-regulatory dysfunction).

Research conducted by Bankwest Curtin Economic Centre, WACOSS and Horizon Power¹⁰ analyses the responses of vulnerable households to proposed electricity tariff structures ('power plans' with a peak consumption rate allowance, similar to mobile phone contracts) designed to encourage reduced peak consumption. The product links smart meter data to a mobile phone app to send an alert to consumers when they are approaching their peak consumption rate allowance, prompting them to reduce consumption or risk losing a financial reward. The trials found that the majority of customers benefited from the power plans, with two thirds of vulnerable customers better off. However, one third of the vulnerable customer group was found to be worse off under the power plans.

In both examples discussed above it is clearly important to balance the desire to reduce peak electricity consumption rates (to avoid the need for additional generation capacity and reduce the overall cost of electricity), against the essential service it delivers to maintain the health and well-being of vulnerable consumers in the face of climactic extremes. Households living in poor quality housing with inefficient appliances have limited capacity to reduce their exposure to extreme heat, and older households may underestimate their vulnerability to adverse health outcomes. It is likely that there is sufficient scope to achieve the desired electricity policy outcome of reducing peak consumption using pricing mechanisms if the majority of consumers are included and engaged, but vulnerable and concessional households are excluded from adverse affordability impacts. Medical cooling concessional arrangements currently do not adequately address the health and financial risks for those reliant on air conditioning, and this situation will be exacerbated as our population ages and the number of extreme weather events continues to increase. Local communities should also consider initiatives to make available cool public places as 'heat refuges' where vulnerable citizens can congregate and achieve some relief (such as public libraries or public spaces in shopping malls).

Concessions Reform

The last two State Budgets have seen significantly increased fees and charges for essential services for WA households. While for the majority of households these increases have been painful but affordable, for a small but significant cohort already living at or below the poverty line, these rises were unaffordable and have caused unwarranted hardship and distress.

¹⁰ Bankwest Curtin Economics Centre (2018) *Power plans for electricity: The impact of tariff structure changes on energy vulnerable households*

The average household saw an increase in charges of \$438 (or 7.7 per cent) in the first budget and a further \$292 (or 4.8 per cent) in the second — with no provision made to protect or mitigate the impact on low-income households who could not afford these increased charges.

The residential *fixed* charge paid by all households for electricity supply increased by 10.9 per cent in 2017-18, equivalent to a \$169 increase for the average household, followed by an increase of 7 per cent in the 2018-19 State Budget (equivalent to an additional \$120.57). The increasing cost of energy disproportionately impacts households on the lowest incomes, as they spend a higher percentage of their disposable income on energy bills and have little if any capacity to absorb additional costs. As the 2017 increase was to the fixed charge, households are unable to avoid it or mitigate its impact by reducing their electricity consumption.

Mounting unpaid bills and utility disconnections can have a significant impact on people's wellbeing, from feelings of shame, the stress of trying to stretch their income as far as possible, and the difficult decisions they have to make as to what to prioritise, such as not eating or not cooling their homes during the heights of summer. It also impacts their ability to access affordable credit in future.

The 2017-18 State Budget also saw an increase to water, sewerage and drainage fees by 6 per cent, (around \$96.92 for the representative household).¹¹ This was followed by a 5.5 per cent increase in the 2018/19 Budget (equivalent to \$91.04).¹²

The pressure that rising household fees and charges are causing is clear. The 2016-17 financial year saw a dramatic increase in residential electricity disconnections from 9,774 in 2015-16 to 15,935 in 2016-17. Synergy's disconnections increased from 8,069 to 14,109—the highest number of disconnections by Synergy since the Economic Regulation Authority (ERA) began reporting. Residential gas disconnections also increased, from 16,649 in 2015-16 to 17,097 in 2016-17.¹³ These increases took WA from having the nation's lowest electricity disconnection rate to the highest.

The National Debt Helpline reports that just from July to September this year, they had on average 58 calls per working day, with 37 per cent related to utilities. This is likely to be understated however, as many callers have multiple debts and so may not be recorded as showing energy debt as their first priority.¹⁴

Budget forecasts indicate further increases of 5.6 per cent, 3.5 per cent and 1.8 per cent in coming years,¹⁵ although we note the Treasurer has recently indicated that state revenue has improved and increases may be lower than predicted.¹⁶ Low income and concessional households are simply unable to absorb any further increases without significant hardship and distress. These are highly regressive measures that impact disproportionality on those with low incomes.

¹¹ *WA State Budget 2017/18*, Budget Paper 3, p 310

¹² *WA State Budget 2018/19*, Budget Paper 3

¹³ Economic Regulation Authority (2018) *Annual Performance Report – Energy Retailers*

¹⁴ Statistics supplied by the Financial Counsellors' Association of Western Australia

¹⁵ *WA State Budget 2018/19*, Budget Paper 3, p 260

¹⁶ Eliza Laschon (2018) 'WA Treasurer promises households will be spared more big power bill increases' *ABC News* www.abc.net.au/news/2018-09-26/wyatt-announces-relief-from-rising-government-charges/10307278

Research into the expenditure of WA households on utilities has shown that the rate of growth of energy poverty for certain cohorts such as single parents, and older single men and women has been significant. It also revealed that the energy share of total household spending grows substantially as incomes decline, as well as sizeable increases over time for single parent families.¹⁷

While the Energy Assistance Payment was increased by \$66 in 2017-18, this was clearly inadequate in the face of the \$169 increase to the fixed charge, and subsequent utility charge increases. The 2018-19 Budget saw no increases in these energy concessions, despite the significant rise in charges. Even with the 2017-18 concession increases, these price rises represent an approximate \$65 million tax on those in our community who can least afford it, including around \$17.4 million from Dependent Child Rebate recipients alone.

Increased investment in the Hardship Utility Grant Scheme (HUGS) is not a solution. HUGS is not intended to support those with insufficient income. It was a program designed to help those who are facing a temporary crisis, its implementation has been expensive and problematic, and it is not sustainable as a long-term income support measure.

In recognition that the current concessions system was not meeting the needs of those on low incomes, the Public Utilities Office was tasked with undertaking a narrow, rather than holistic, review of utilities concessions to inform 2018-19 Budget considerations.¹⁸ While initial views and concerns regarding concessions were sought from some key stakeholders, there was not the substantive or public engagement process we would expect for a thorough review. It is further clear that this review did not substantively inform the 2018-19 Budget, with no action taken to address the adequacy or targeting of concessions.

We recommend that this Committee seeks to make the findings of the PUO's review public. The findings could then be used to inform an independent and transparent inquiry into the adequacy and fairness of the State's entire social concessions system. This review should take into account the need for such a system to have clearly articulated outcomes, its adaptability to changing market developments and community needs, and how easily accessible they are to eligible persons or households.

Until such time as the adequacy of energy concessions is ensured, Pensioner Concession Card and Health Care Card holders should be exempt from all future utility price increases. An immediate increase to existing concessions, including the Dependant Child Rebate and the Energy Assistance Payment, to cover the recent price hikes is needed to reduce rising levels of hardship and disconnections.¹⁹

¹⁷ Rebecca Cassells, Alan Duncan and Yashar Tarverdi (2017) *Power to the People: WA's Energy Future*, Bankwest Curtin Economics Centre

¹⁸ Hon Ben Wyatt MLA (2017) 'Tariffs, fees and charges to assist in budget repair', *Media Statements*, Government of Western Australia, www.mediastatements.wa.gov.au/Pages/McGowan/2017/06/Tariffs-fees-and-charges-to-assist-in-budget-repair.aspx

¹⁹ WACOSS (2018) *Vision 2020: State Budget Submission*, <http://wacoss.org.au/wp-content/uploads/2018/10/State-Budget-Submission-2019-2020.pdf>

Consumer Representation

Western Australia remains the only state in Australia without funded consumer research and representation in our energy market.²⁰ Without it, WA consumers cannot be confident that their interests are being protected at a time of significant developments in the way that we consider energy distribution, generation and regulation.

Effective consumer advocacy in this area requires specifically skilled technical and legal consultation with a range of stakeholders to produce informed submissions, research and effective advocacy for the diverse consumer interest. For that to occur, it is essential that there is continuous funded capacity in order to proactively engage with changing need, industry developments and regulatory innovations.

WA's regulatory systems for electricity, gas and water were all designed with an expectation that consumer representation would be an active component of market regulation. The presence and availability of capable consumer representatives with the capacity to understand regulatory proposals, monitor market trends, the changing needs and expectations of consumers, and the changing face of utility hardship is assumed in the consumer codes. Retailers are required to consult with relevant consumer organisations, including on their financial hardship policies, meaning that the lack of funded representation impacts not only on customers, but also on industry.

Recognising the importance of consumer representation in essential service markets, the Minister for Water and the Water Corporation provides funding to WACOSS for a part-time role. This advocacy is just as important in our energy markets, where rising costs, changing policy and significant shifts in distributed generation and consumer engagement make the issue even more pressing.

In the National Electricity Market, consumer representation and research funded by a market levy is commissioned and governed by Energy Consumers Australia (ECA). ECA was established in 2015 as a Council of Australian Governments (COAG) initiative to give residential and small business energy consumers a national voice in the market. It advocates within the national energy market and funds grants for consumer protection and policy development.²¹

The input of consumers is especially important in markets where there is limited competition where one supplier has dominance or is the monopoly provider, prices are regulated, and the product is a vital service. Consumer advocacy is crucial to exert influence and pressure on prices and ensure costs are reflective of consumer preferences.

Funding for consumer research and representation in energy markets in Western Australia can overcome barriers to unequal participation in policy and provide a balance to the interests and claims of market participants. Maintaining a transparent flow of information and dialogue with consumer groups and frontline community services is necessary to ensure that providers are responsive to the needs of consumers.

²⁰ Australian Energy Regulator (2017) *Retail Markets: National Energy Customer Framework*

²¹ Energy Consumers Australia (2017) 'About ECA' www.energyconsumersaustralia.com.au/about-us

Western Australian consumers are missing out on this vital service to protect their interests and ensure their voices are heard in our energy market.

We recommend that the Committee consider the following reports:

- Bankwest Curtin Economics Centre (2016) *Energy Poverty in Western Australia*
<http://bcec.edu.au/publications/energy-poverty-western-australia/>
- Bankwest Curtin Economics Centre (2017) *Power to the People*
<http://bcec.edu.au/publications/power-to-people-wa-energy-future/>
- Bankwest Curtin Economics Centre (2018) *Power plans for electricity: the impact of tariff structure changes on energy vulnerable households*
<http://bcec.edu.au/projects/impact-tariff-structure-changes-energy-vulnerable-households/>
- Australian Council of Social Service and Brotherhood of St Laurence (2018) *Energy Stressed in Australia*
<https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>
- Australian Council of Social Service and Brotherhood of St Laurence (2018) *Tackling climate change and energy affordability for low-income households*
<https://www.acoss.org.au/wp-content/uploads/2018/09/ACOSS-BSL-Report-Tackling-climate-change-and-energy-affordability-for-low-income-households.pdf>
- WACOSS (2018) *Vision 2020: State Budget Submission 2019-20*
<http://wacoss.org.au/wp-content/uploads/2018/10/State-Budget-Submission-2019-2020.pdf>

If you would like to discuss this submission further, please contact the WACOSS Research and Policy Development Leader Chris Twomey at chris@wacoss.org.au or 9420 7222.

Yours sincerely,



Louise Giolitto
Chief Executive Officer
WACOSS