



public interest
ADVOCACY CENTRE LTD

**Submission to the review of the New South
Wales Life Support Rebate**

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Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that identifies public interest issues and works co-operatively with other organisations to advocate for individuals and groups affected.

PIAC seeks to promote a just and democratic society by making strategic interventions on public interest issues in order to:

- expose unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate;
- promote the development of law—both statutory and common—that reflects the public interest; and
- develop community organisations to pursue the interests of the communities they represent.

Energy + Water Consumers' Advocacy Program (EWCAP)

This Program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW Government funding. The aim of the Program is to develop policy and advocate in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the Program from a community-based reference group.

Introduction

PIAC is pleased to provide comments on the proposed changes outlined in the Department of Water and Energy's (DWE) review of the NSW Government's Life Support Rebate (LSR) and Pensioner Energy Rebate (PER). PIAC's comments are aimed at highlighting deficiencies in the current process and supporting proposals that would benefit residential energy consumers.

1. Life Support Rebate

PIAC's relies on NSW Health's expertise to determine what equipment is deemed necessary to directly support life. However, PIAC takes this opportunity to provide comment on the regulatory framework and policy process for the LSR.

1.1 Quantum

PIAC supports the DWE review findings to increase the LSR for a majority of appliances. PIAC supports the process of regularly reviewing the operating cost of the life support machines, taking account of efficiency developments.

Whilst rebate schemes that are not indexed to CPI have caused inequities in other areas (see discussion of pensioner rebate schemes at 2.1), in this instance the review process allows increases in the LSR, which is not indexed to CPI, to vary depending on the specific costs of operating the machines.

PIAC notes that access to more efficient life support machines is linked to the ownership: as machines can be supplied on a short-term leasing arrangement, a consumer may have no ability to get a more efficient machine. PIAC therefore supports the decision to not reduce the rebate for machines that are more efficient so as to not disadvantage consumers using older modes.

1.2 Amendment of the LSR application form

PIAC supports the drafting of a new application form so that consumers who live at but are not the registered account holder of the supplied premises are able to access the LSR. This correctly removes an unnecessary administrative barrier to accessing the LSR.

1.3 Do not disconnect register

PIAC supports the requirement that retailers ensure that consumers who move or switch suppliers continue to receive the LSR. However, PIAC seeks confirmation that this requirement on retailers also ensures that LSR eligible consumers remain on the 'do not disconnect' register.

For some consumers, access to electricity may not be necessary to support life, but may be necessary to prevent exacerbating existing health conditions, or to facilitate the enjoyment of a basic standard of living. For example, people with anhidrosis¹ often require the use of an air conditioner to regulate the temperature of their house; people with diabetes require refrigeration of their insulin; and people with asthma may require nebulisers to treat short-term, yet severe, asthma attacks.²

Furthermore, evidence shows that there are clear health implications of disconnecting a household from the electricity supply. For instance, a 2005 survey commissioned by PIAC showed that 11% of disconnected consumers were unable to use medical devices in their home. Furthermore, 8% of the surveyed disconnected consumers reported that someone in their house became ill as a result of being disconnected.³

Clause 7, Schedule 1 of the *Electricity Supply (General) Regulation 2001* (NSW) limits the obligation on retail suppliers and distributors not to disconnect premises only where a life support system operates. This limitation excludes consumers who use electrical appliances which do not fit the definition of a machine necessary to support life, yet play an integral part in delivering maintaining the health of a consumer.

PIAC recommends that eligibility for the 'do not disconnect' register be extended to cover consumers who are not eligible for the LSR but, in the opinion of a doctor, would suffer significant detriment to their health if unable to operate specific electrical appliances.

1.4 Means test for LSR

As operating machines that support life is not a luxury, PIAC supports the ongoing absence of a means test for eligibility to the LSR.

2. Pensioner Energy Rebate

PIAC supports the proposal to join the LSR and the PER schemes under one Ministerial direction so to benefit from administrative efficiencies.

¹ Anhidrosis is a condition where increases in a person's body temperature results in blurred vision, extreme fatigue, pain, and the loss of memory, balance, and bodily functions.

² In Western Australia, use of a nebuliser by a child qualifies for the life support rebate offered by the Government, see http://www.energy.wa.gov.au/3/3209/64/life_support_eq.pm

³ Ross, S, Wallace, A & Rintoul, D (2005) Cut off: the impact of utility disconnections, report prepared by Urbis Keys Young for the Utility Consumers' Advocacy Project, p 20.

Although the review papers provided by DWE raised no contentious issues for discussion regarding the PER, PIAC would like to draw DWE's attention to the issues of the level of quantum and eligibility for PER.

2.1 Quantum

The \$112 per annum PER was introduced in 2002 and has not been increased since. The potency of the PER was further weakened by a 2006 tax ruling that required the rebate to be applied against the billed amount plus GST rather than just against the billed amount.

Two price determinations have occurred since 2002, both of which allowed significant above CPI increases to the cost of electricity. The increases between 2002 and 2008 are illustrated in the table below.

Table 1: Summary of quarterly bills in (\$) for a typical household's consumption of 7MWh per annum.⁴

	2003	2004	2005	2006	2007	2008	Cumulative increase	Cumulative Increase
Energy Australia	184	190	201	211	216	230	\$54	30.6%
Integral Energy	206	213	228	237	245	264	\$67	33.9%
Country Energy	232	243	262	278	299	327	\$105	47.5%

In 2002, the PER covered 15% of an average Energy Australia and 12% of a Country Energy customer's bill. In 2008, the PER will respectively represent 12% and just 8.5% of Energy Australia and Country Energy customers' bills.

The amount of \$112, or 12% of an average bill, is comparatively small against the PERs offered in other NEM jurisdictions. For example, Queensland and Tasmania offer PERs of \$144 per annum and \$300 per annum respectively. In Tasmania this amount represents approximately 17% of an annual average bill,⁵ whereas in Victoria the PER covers 17.5% of a pensioner's bill.⁶

There is a clear need for the PER to be increased to be comparable with current electricity cost and for the PER to be indexed to CPI to cover likely future increases.

There is scope to explore other methods of calculating the PER, such as the Victorian method of being a set proportion of a consumer's bill. Alternatively the PER could be calculated depending on the average cost of electricity in a consumer's supply area. This method would take account of the differing cost of electricity between the standard retailers' supply area, as indicated by Table 1 above.

This proposal is consistent with the recommendations made by the NSW Government-appointed Unsworth Committee to increase the pensioner energy rebate to \$130 and indexed according to CPI. PIAC supports this recommendation, but sees the prescribed \$130 as the minimum amount to which it be increased.

⁴ Figures provided by the NSW Independent Pricing and Regulatory Tribunal.

⁵ Based on an average consumption of 9280kWh per annum, or approximately \$1800 per annum. See tariff information provided on Aurora Energy's website:

http://www.auroraenergy.com.au/residential/rates_charges_and_discounts/electricity_rates_and_charges.asp

⁶ See <http://www.cyf.vic.gov.au/concessions/concessions/energy>

As the recommendations made by the Unsworth Committee are part of a larger reform program that may take some time to be implemented, if at all, PIAC urges DWE to pursue reform of the PER immediately and be implemented regardless of the outcome of other policy reforms.

PIAC also recommends that any increases to the PER should be accompanied by increased funding to energy efficiency programs targeting consumers eligible for the PER. Improving a consumer's ability to reduce their consumption without changing their behaviour has the twofold benefit of saving consumers money and reducing carbon emissions.

2.2 Extension of eligibility for pensioner rebates

In NSW, holders of a Commonwealth Health Care Card (HCC) are excluded from accessing the PER. This policy does not conform with the majority of jurisdictions in the NEM, as WA, SA, Vic, Tasmania, and the ACT all offer energy concessions to HCC holders.

HCC holders are subject to stringent eligibility requirements set by the Federal Government and successfully captures low-income earners who may not be eligible for other concession rebates. Offering energy concessions to HCC holders will provide protection for disadvantaged consumers in danger of suffering utility hardship.

Accordingly, PIAC recommends the extension of the Pensioner Energy Rebate to holders of a HCC.

3. Extension of rebate for non-life threatening medical conditions

As discussed in 1.4, the LSR does not, and is not designed to, cover people who have non-life threatening medical conditions, who require electrical appliances for medical treatment, or to ensure a basic standard of living. Use of these electrical appliances require a higher level of energy consumption, often substantially increasing a consumer's energy bill.

In NSW there is no alternative rebate scheme operating to protect people whose energy consumption is affected by the use of electrical appliances for medical reasons, whereas other jurisdictions in the national energy market (NEM) have addressed this issue. For example, Western Australia operates the Thermoregulatory Dysfunction Subsidy Scheme, which assists with the energy costs of operating heating or cooling equipment at home for consumers with specific medical conditions. Victoria operates a differently modeled scheme that provides a rebate for a proportion of a consumer's summer consumption.

The absence of a rebate in NSW to assist these consumers requires redress. This need is heightened by the fact that the consumers who are falling into this policy gap are generally those already disadvantaged. For example, of the approximately 6,000 people diagnosed with Multiple Sclerosis in NSW, 48% have personal incomes of less than \$16,000 per annum. The introduction of such a scheme would greatly improve the quality of life for these consumers, helping to reduce the barriers to social and economic participation in the community.

PIAC recommends the introduction of a new class of concession to assist consumers whose non-life threatening medical condition requires the intensive use of electrical appliances.

The framework for this scheme should be developed in consultation with energy consumer groups, NSW Health, and organisations with particular expertise such as MS Australia and People with Disabilities (NSW). Using the successful model of the Disconnections Working Group, the Minister for Energy could establish a working group to explore, amongst other issues, the appropriate model and quantum for the rebate, and whether the rebate be means tested.

The working group could also make recommendations as to how existing government initiatives, such as the Climate Change Fund, could be utilised to deliver subsidised highly energy efficient appliances to those eligible for the new rebate.

PIAC seeks a specific response from DWE on how DWE intends to address this proposal.