

ACCESSIBLE ENERGY AUDITS

In the face of climate change and electricity price hikes, the Commonwealth and New South Wales Governments have each recently expressed interest in rolling out energy audits. The benefits are clear enough: a reduction in energy use means consumers will emit less carbon pollution and spend less on electricity and gas bills. Households will also save money because there'll be less need for investment in the transmission and distribution infrastructure they'd otherwise fund through higher energy bills.

Promising though audits are, some fail to live up to expectations. Alert to this, PIAC is keen

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to ensure that energy audit programs adequately meet the needs of low-income and other disadvantaged households.

Raising awareness of the availability of energy audit programs is critical. This means programs need to reach out to

consumers who experience difficulty accessing information through mainstream media. Local community organisations are particularly well placed to play a role in promoting energy audits as they regularly work with and are trusted by people living with disadvantage.

Establishing an appropriate timetable for the roll out of energy audits is also important. Tempting though it may be to audit one building or street before moving on to the next, the adoption of this approach will see many people miss out. Consumers experiencing a financial or family crisis, for example, will be unlikely to place a high priority on reducing their carbon footprint. The convenience to householders is a key factor in the delivery of successful energy audit programs.

Advertising and appointments taken care of, it's imperative that audits are delivered in a manner suitable to their audience. To this end, it's advisable that auditors undergo training

working with disadvantaged communities. In some cases, there is also merit in providing the opportunity for a family member, carer or community worker to be present during the process. Presenting information in a format that supports the householders' learning will increase the effectiveness of the audit.

It's also worth noting that comprehensive energy audits go well beyond the distribution of energy-efficient light globes and water-wise showerheads. A great many consumers have already made these changes and both they and the environment can gain much more from a more comprehensive process. This includes analyses of household bills, physical assessments of homes, and conversations with householders about energy consumption. In practice this means that householders receive a suite of targeted opportunities to reduce their energy use including recommendations for amendments to premises, advice about appliances, and suggestions for changing behaviour.

Conducting a follow-up visit gives consumers a second chance to make inroads into energy conservation. Offering the opportunity to ask questions and clarify information between visits also maximises the potential for energy savings.

Done well, energy audits can be a valuable tool in the fight to reduce carbon pollution and lower energy bills. Given low-income households are likely to experience a disproportionate share of the impact of both climate change and mitigation policies, it's essential that they are given ample opportunity to access these audits. To this end, the Commonwealth and New South Wales Governments would do well to consider the abovementioned factors when developing and resourcing audit programs in the months and years ahead.

Mark Ludbrooke, Senior Policy Officer



ENERGY AFFORDABILITY HITS HOUSEHOLDS

Anyone keeping an eye on their energy bills over the last few years will have noticed that they are getting more expensive. Unfortunately for those already struggling to pay their bills, there is more to come. With climate change measures, smart meters and increasing network investment on the horizon, energy affordability is becoming an important issue for many low-income households and needs to be addressed.

Much has been made of the rising rate of inflation and the impact on households. The annual inflation rate increased to 5% in the September quarter, well outside the Reserve Bank goal of 2-3% and beyond the long-term trend of the last decade.

The problem with focusing on an inflation rate measured this way is that you miss the underlying story for people living in the economy. In reality, the impact on low-income households is distorted by the gains for other Australians.

The impact of rising electricity prices is one example that highlights this.

Energy sector reforms begun in the 1990s were designed to provide electricity at less cost to consumers and households. However recent times have seen large increases to energy prices. The perceived need for massive new infrastructure investment has seen household bills rise enormously.

Over recent years, household energy bills have risen by an average of 17%. In the coming years this could become even higher due to the electricity distribution pricing review being undertaken by IPART, and is well above the inflation rate for the period.

Rising energy prices have a disproportionate effect on low-income households as they spend a higher portion of their income on energy costs than other households. The flow-on effects of this include

energy under-consumption, disconnection and an inability to meet other household costs.

This effect does not exist only for energy expenses, but ring true for housing and health costs also.

To solve the problem of energy affordability, advocates need to look to the NSW Government. It is the State Government that currently provides energy rebates to vulnerable households and it is a key responsibility of Government to address this crisis of rising energy bills.

In its promised Electricity Safety Net, the NSW Government committed to a range of further protections for consumers, including indexing energy rebates to the CPI. In the recent mini-budget it was announced that this promise would be reviewed. This presents the opportunity to instead index rebates to the average increases in electricity costs. PIAC argues that this should be in addition to expanding eligibility for energy rebates to all holders of a Commonwealth Health Care Card, as recommended in the Unsworth report.

The Pensioner Energy Rebate and other concessions are intended to address energy affordability for low-income households, so movements in the amount of the rebate should reflect changes in the affordability of energy. Otherwise the rebate will be whittled down to nothing.

Joel Pringle, Policy Officer

ENERGY + WATER CONSUMERS' ADVOCACY PROGRAM
PUBLIC INTEREST ADVOCACY CENTRE LTD
Mark Ludbrooke, Senior Policy Officer & Joel Pringle, Policy Officer
e-mail: mludbrooke@piac.asn.au e-mail: jpringle@piac.asn.au
Level 9, 299 Elizabeth Street, Sydney NSW 2000
phone: 02 8898 6518/ 520 fax: 02 8898 6555
ABN 77 002 773 524

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COMPETITION RISKS IN PRIVATISATION

Since the last *Well Connected*, there has been much controversy surrounding the NSW Government plan to sell electricity assets. Not least was the end of Morris Iemma's Premiership along with the rest of his leadership team.

The new Premier, Nathan Rees, has announced the new plan going forward, selling the retail assets and leasing the trading rights of the generators. Whilst this seems to have placated the concerns of Labor head office and most

Union resistance, the promised \$272 million Electricity Safety Net of consumer protections has been put under review with no promises of continuing with the commitments made following the Unsworth Report.

Further, whilst the Government argues that the sale of electricity retailers is important to the reform of the electricity supply sector, the current plans to transfer tax-payer funded assets to private ownership in fact

threaten the aim of industry reforms up to this point. That is, the sell-off of electricity retailers in NSW threatens the affordable supply of energy to households.

The National Energy Market and associated industry reforms of the 1990s were devised in the belief that consumers benefited from a competitive market. The argument being that competition will keep prices low, service levels high and innovation will flourish.

If the privatisation of NSW electricity assets is to go ahead there is a substantial risk that competition in the National Energy Market will be ignored in the rush to bolster the finances of the NSW State budget. Even under the price regulations in NSW it is important for the Government to encourage competition in the industries under its responsibility.

The key factor is who will purchase the retailers. The challenge for the NSW Government is to get the best return for the sale without reducing the level of competitiveness in the electricity sector. The key challenge for voters is holding the NSW Government accountable for meeting this challenge.

It is most likely that existing privately owned retailers will be bidding for the assets, with a number currently cashed up by the coal seam gas bonanza in south eastern Queensland. There are many reasons for this, including experience in the NSW regulatory environment, improved economies of scale and the opportunity to be a 'default retailer' and the automatic customer base this confers. There is a further attraction, that being the value of the Government-held hedging contracts.

The Government-owned retailers' hedge contracts are highly valued as a source of insurance against the volatile prices seen in the wholesale spot market over the past 18 months. This, combined with the need for wholesale electricity to honour existing customer contracts, makes the value of the Government assets higher to the private retailers already in the NSW market when compared to possible new entrants. The limited availability of credit only compounds this.

One way of measuring the competitive energy market is the switch rate. This measures the willingness of customers to switch retailers because they can get a better deal. According to a recent report by the Utility Customer Switching Research Project, NSW lags behind other Australian States in this key indicator.

Any further consolidation of electricity retailers will significantly reduce the effectiveness of competition in the NSW market. This, when combined with barriers to market entry such as the volatility of wholesale prices, is likely to see the development of an energy oligopoly that will force higher energy costs on households and hamstring innovation.

It is up to the NSW Government to address these threats in the proposed sale of the tax-payer owned assets. If the NSW Government fails to respond adequately it will be up to NSW residents and consumer advocates to take up the cause to ensure energy markets are competitive and to hold the Government accountable for its actions.

Joel Pringle, Policy Officer

CENTRAL COAST TO PAY MORE FOR WATER

Following the recent Sydney Water price determination, the Independent Pricing and Regulatory Tribunal (IPART) has begun the process of determining water prices for residents of the Central Coast.

If Gosford Council gets its way, the average water bill will increase a substantial 37 per cent over the next four years whilst Wyong Council is seeking approval to increase the average bill 19 per cent. Neither of these price hikes incorporate the Central Coast's share of the costs of Tillegra Dam. Nor do they include the impact of the Carbon Pollution Reduction Scheme. That is to say, consumers could end up forking out even more.

Particularly in light of higher housing, electricity, food, and petrol costs, PIAC is concerned about the capacity of low-income residents of the Central Coast to manage these increased water bills.

As part of the determination process, IPART asked both councils to provide information about the programs in place to mitigate the impact of rising prices. Wyong Council responded by casually proposing it could make arrangements to assist financially disadvantaged customers and Gosford suggested postponing the development of assistance measures until a survey of Central Coast households had been completed.

Neither of these responses is good enough. If councils have the wherewithal to calculate and present complex revenue requirements and price paths for the next four years then they also have the means to develop and submit comprehensive mitigation strategies to assist low-income and other vulnerable residents to ameliorate the impacts of proposed water price hikes.

In the absence of such information, PIAC has developed a few suggestions.

EWCAP CONFERENCE

The Carbon Pollution Reduction Scheme will increase the cost of heating, cooling and lighting our homes, and of cooking and storing food. How will this impact on low-income and other disadvantaged households? Will they be able to reduce their energy consumption when faced with higher bills?

On 27 February 2009 the Energy + Water Consumers' Advocacy Program Conference will examine these and related questions. Participants will be invited to discuss policies and programs to assist disadvantaged communities to respond to the Carbon Pollution Reduction Scheme. The conference will be held in the Sydney CBD at a venue to be confirmed. Please call Joel on 8898 6520 or e-mail ewcapconf09@piac.asn.au to register your interest.

Both councils should fund (or lobby the NSW Government to resource) the provision of vouchers that can be used to pay bills where customers experience financial difficulty. This program is already available for customers of Sydney Water and Hunter Water and its inequitable that residents of the Central Coast are denied this support.

Low-income earners and large households with high water bills should also be eligible for free water audits to assist them to reduce their water consumption. This should be supported by council-funded No Interest Loans Schemes, to facilitate access to credit for the purchase of water-efficient appliances like washing machines.

Affordability for pensioners should also be promoted through the availability of Centrepay where residents can elect to have a small amount of their Centrelink benefits automatically allocated to pay their water bills each fortnight.

Behind the scenes, council staff must also receive training to assist them to recognise and respond to customers in financial difficulty.

Councils should be required to join the Energy and Water Ombudsman of NSW (EWON) so that consumers have access to a free and independent complaints service. This is particularly important in light of the reported decline in resident satisfaction with water services in Gosford Council.

PIAC acknowledges that developing and implementing such programs will require resources but believes they are necessary to assist low-income and other vulnerable residents to maintain access to water. PIAC has promoted these and other issues in its submission to IPART.

Mark Ludbrooke, Senior Policy Officer

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