



## About ACOSS

The [Australian Council of Social Service \(ACOSS\)](#) is a national advocate for action to reduce poverty and inequality and the peak body for the community services sector in Australia. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

## Introduction

ACOSS welcomes the opportunity to submit to the ESBs consultation on the Strategic Energy Plan Draft Metrics.

ACOSS is pleased the metrics include a focus on energy affordability, energy access, consumer empowerment and consumer protection, as well as metrics specifically aimed at vulnerable consumers. Our feedback will for the most part be limited to these key areas.

As noted, while a number of the proposed outcomes focus on energy affordability, consumer empowerment and consumer protection, there is no outcome specifically focused on reducing “energy stress”. While energy stress is related to energy affordability (*price of energy*) there are other dimensions to energy stress, including the *size of the energy bill* and *capacity to pay*.

Rather than talking just about ‘energy affordability’, it would be better to talk about ‘affordable energy bills’. ACOSS would also welcome an outcome specifically focused on reducing energy stress.

**Recommendation 1:** Change language from ‘energy is increasingly affordable for all consumers’ to ‘energy bills are increasingly affordable for all consumers’

**Recommendation 2:** Include an outcome specifically focused on ‘reducing energy stress’.

### **Outcome: Energy is increasingly affordable for all consumers, supported by adequate consumer protections and access to dispute resolution**

- ***ESB draft metric - Energy spend as a % of household disposable income***

ACOSS supports the inclusion of a metric that looks at energy spend as a percentage of household disposable income. We think when using this metric the following should be considered:

- trends over time
- differences between income quintiles
- differences in income source and family type

For example, recent research by ACOSS and the Brotherhood of St Laurence (BSL),<sup>1</sup> found that energy spend as a percentage of income had only increased as a national average from 2.4% to 2.5% over the last decade. However for those on the lowest-income quintile there had been a more marked increase of 5.9% to 6.4%. The research also showed there was a large difference between income quintiles with households in lowest quintile spending 6.4% compared to those households in the highest quintile spending 1.5%. Further some groups such as single parent, lone person and Newstart household's worse off than other household types.

We would not support this metric being used to determine who is in energy poverty and who is not, by arbitrarily determining a percentage cut off, as it does not capture different circumstances and behaviours including deprivation of energy.

- **ESB draft metric - Low-income high-cost: Number of households with income below poverty line (or alternatively lowest income quintile) which spend above the median level on energy.**

ACOSS supports the inclusion of a **low-income high cost metric**, in addition to **Energy spend as a % of household disposable income** discussed above. We would not support it being limited to the lowest 20% quintile, as households in quintiles 2 and 3, can also experience energy stress depending on the composition of the household, medical needs within the household and the energy efficiency of the home.

**Recommendation 3:** The *low-income high cost metric* should include income quintiles 1 and 2.

We note the consultation paper states that the inclusion of a **low-income high cost metric** is intended to capture 'energy stresses'. As noted above ACOSS supports a focus on energy stress and recommends 'reducing energy stress' should be included as a separate outcome.

ACOSS also recommends that additional metrics are included as consistent with the EU that currently utilises 4 primary measures (2 quantitative and 2 qualitative) and 13 secondary measures.<sup>2</sup>

An analysis by the Brotherhood of St Laurence of the HILDA data<sup>3</sup> found important differences and little overlap between the income–expenditure and the self-reporting definitions (inability to heat home or difficulty paying bills) regarding the prevalence of fuel poverty in Australia. All measures were critical in identifying different types of energy hardship.

Not only will multiple measures capture different circumstances and behaviours including deprivation of energy, they will enable the development of more targeted and fit-for-purpose policy solutions.

#### *Additional Recommendations*

**Recommendation 4:** The following metrics should be included to measure reduction in energy stress and identify whether energy bills are increasingly affordable.

- **Inability to keep home warm/cool - not able to keep home adequately warm or cool.** This measure taps into households who are reducing energy use because they cannot afford their energy bills often to the detriment of their health. The HES and HILDA surveys currently asks

<sup>1</sup> <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>

<sup>2</sup> <https://www.energy-poverty.eu/indicators-data>

<sup>3</sup> [http://library.bsl.org.au/jspui/bitstream/1/7906/1/AzpitarteJohnsonSullivan\\_Fuel\\_poverty\\_household\\_income\\_energy\\_spending\\_2015.pdf](http://library.bsl.org.au/jspui/bitstream/1/7906/1/AzpitarteJohnsonSullivan_Fuel_poverty_household_income_energy_spending_2015.pdf)

about inability to keep home warm, these surveys would need to change their question to include 'cooling' which is more important for households in northern parts of Australia, and increasingly all parts of Australia with increase prevalence of heatwaves.

- **Arrears on bills - arrears on energy bills.** This measure taps into households that are struggling to pay bills and other essential services, and could be an indicator of households who might ultimately go without food, medicine and other basic essentials services to pay energy bills. The HES and HILDA surveys currently ask this question.
- **Hidden Energy poverty (HEP)** - The HEP indicator presents the share of households whose absolute energy expenditure is below half the national median. This metric captures households whose energy expenditure is unusually low for national standards, which is crucial when using actual expenditure data. **This metric identifies and importantly quantifies households that are forgoing a basic level of consumption and potentially dangerously so. It can help identify where targeted policies might be needed.** The HES or HILDA survey could be used to determine this figure.
- **Share of expenditure (2M)** - The 2M indicator presents the proportion of households whose share of energy expenditure in income is more than twice the national median share. This metric captures households that dedicate an unusually high share of their income to energy expenditure. **This metric identifies and importantly quantifies households that have little control over energy consumption either through medical needs or inefficient housing or appliances. Paired with income quintiles, this can help identify where targeted policies might be needed.** The HES and HILDA survey would provide this information.

### **Outcome: Consumers are empowered to manage their demand and can access distributed energy and energy efficiency solutions**

ACOSS supports the draft metrics proposed in this section, however believes there are some important metrics missing.

**Recommendation 5:** Include the following metrics to measure access to distributive energy:

- **% of households with solar (and % of households with battery)** – this would directly measure how many customers are empowered to take up distributive energy. The ABS Household Expenditure Survey (HES) has started reporting on solar take-up and there are other sources including a local area break down. Understanding the % of households that have battery will also be an important measure. Utilising the HES data would also enable policy makers to better understand solar uptake by income and wealth, which is also important to track and better understand energy bill affordability.
- **% of rental properties with solar** – very few rental properties have solar due to the landlord/renter split incentive. As the number of renters are set to increase in Australia, this metric will be important to identify where targeted policies might be needed. HES data would enable this analysis.

ACOSS notes that one of the objectives for this section is to identify whether consumers are empowered to access energy efficiency. The ESB proposes a macro level measure in terms of improvement in energy productivity but this does not measure whether consumers are accessing energy efficiency solutions and if not who is missing out and why.

The biggest challenge facing policy makers is the lack of ability to identify the energy efficiency level of residential homes and measure whether there has been improvement over time. This could be achieved if mandatory disclosure of home energy efficiency were introduced in all states and territories, similar to the program in the ACT which requires mandatory disclosure at point of sale or lease. ACOSS understands that COAG had previously considered and recommended that mandatory disclosure of home energy efficiency be implemented, but most states and territories have failed to do so.

**Recommendation 6:** the ESB recommends to COAG Energy Council that states and territories proceed with introducing mandatory disclosure of home energy efficiency laws.

In the meantime qualitative questions could be added to the HES survey to ask households whether they had invested in energy efficiency measures in the past 2 years.

**Recommendation 7:** the ESB recommends the Australian Bureau of statistics includes a qualitative measure of energy efficiency uptake in the Household Expenditure Survey (HES)

### **Outcome: Vulnerable consumers are on suitable pricing plans, receiving concessions when needed, and can benefit from distributed energy and energy efficiency schemes**

ACOSS supports the inclusion of the metrics proposed in the consultation paper, and note a number of the other metrics proposed in the consultation paper and recommended in this submission will also help track issues facing vulnerable consumers. In addition, ACOSS recommends the inclusion of the following.

**Recommendation 8:** Include the following metrics to outcomes relating to vulnerable consumers:

- **% of disconnections**
- **% of households on low-income and low-wealth that have solar on their home.** This metric is important as the growth in distributive energy could create a new poverty driver as those that can access distributive energy will be significantly better off than those who cannot.

### **Outcome: Wholesale and retail markets are competitive and deliver efficient outcomes for consumers**

Competitive retail energy markets are not currently delivering the expected benefits to customers and haven't held up the promise of lower and more efficient prices for all.

Competition was meant to drive efficiency and innovation, however the ACCC in their final report on retail electricity price reported that there has been little innovation and costs to grow and retain customers are increasing, ironically because of increased competition.<sup>4</sup>

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<sup>4</sup> ACCC (2018) Restoring electricity affordability and Australia's competitive advantage [https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018\\_0.pdf](https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf)

The ACCC further noted that where there has been some innovation they have had limited impact on retail price offerings as most consumers appear to ‘simply prefer a low price’. This is not surprising given the homogeneity of electricity and its essential nature.

Further, the ACCC found that Australian electricity prices, gross margins and net margins are among the highest in the world, and that retail margins vary significantly by state. The highest retail margins in the NEM were in Victoria (above 11%), which is considered to be the most mature of the competitive markets and margins in Victoria have been increasing over recent years. NSW also had relatively high retail margins (around 10%), while South Australia and Queensland have the lowest margins (see figure 1). It is clear that customers in some jurisdictions are not receiving efficient pricing.

ACOSS recommends metrics that consider the costs of customer retention and acquisition (CARC), the level of retail margin, and gap between retail market offers, will be important to measure whether retail markets are delivering efficient outcomes for customers.

**Recommendation 9:** Include the following metrics to the outcomes looking at whether retail markets are delivery efficient outcomes for consumers:

- Retail margins
- Costs of customer retention and acquisition (CARC)
- Gap between retail market offers.

If you have any further questions please contact

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