ACT Energy Consumers Policy Consortium Submission to:

Independent Competition and Regulatory Commission

Draft Report – Report No 1 of 2017, March 2017

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[ACT Council of Social Service (ACTCOSS)](#)
[Care Financial Counselling Service](#)
[Conservation Council ACT Region](#)
[SEE-Change](#)
[Small Business Taskforce of the Canberra Business Chamber](#)

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia nor the ACT Government.

Independent Competition and Regulatory Commission
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Draft Report – Report No 1 of 2017, March 2017

Standing offer prices for the supply of electricity to small customers from 1 July 2017

We refer to your invitation in the Draft Report inviting Submissions to inform the development of the Commission's Final Report, to be made by 28 April 2017.

The ACT Energy Policy Consortium welcomes the opportunity to provide a submission in response to the Draft Report – Report No 1 of 2017, March 2017: Standing offer prices for the supply of electricity to small customers from 1 July 2017

The Consortium is comprised of representatives of ACT Council of Social Service (ACTCOSS), Care Financial Counselling Service, Conservation Council ACT Region, SEE-Change and the Small Business Taskforce of the Canberra Business Chamber. The consortium considers the importance of social, environmental and economic factors in the formation and implementation of energy policy and that enhancement of equity and inclusion improves outcomes across all sectors.

General Comments on the Draft Report

The Consortium is very concerned that consumers are facing yet another electricity price rise well above inflation, noting that the Draft Decision flags that the retail electricity price for customers on the regulated price will increase by at least 10.9% from 1 July 2017 (and that all indications are that the increase will be even more when the Final Report is released). It also notes that there is no indication of how much this increase may be.

The Consortium notes the risks this creates for vulnerable consumers on fixed incomes particularly those who have Centrelink payments as their only source of income. We note that around 20 per cent of ACT households (around 30,000 households) receive energy concessions and/or hold a concession card. (i)

The estimated annual increase is $112 for small residential customers, $191 for average users and $271 for a large residential customer. The Consortium notes that the Australian Government's recent announcement for a one off payment of $75 for Singles and $125 for couples will not adequately compensate for these increases, with only couples who are considered small residential customers being adequately compensated for increases. The Consortium also notes that the Australian Government's payment is poorly targeted and will not apply to all Centrelink recipients. It will only apply to those on the Age Pension, the Disability Pension and Parenting Payment. Those on the very lowest Centrelink payments of Newstart, Youth Allowance and Austudy will not benefit. The payment will also not be available to low income consumers not eligible for a health care card.

The price rise will be extremely challenging for ACT electricity customers and the Consortium recommends that the Commission supports action by the ACT Government to shield the most vulnerable customers in the ACT from this impact. The Consortium supports an increase in the energy concession. Attention also needs to be given to improving industry hardship programs to better identify and offer more substantial support to customers unable to pay their accounts without creating significant financial hardship or compromising on other essential household spending.

The Consortium also notes that there will be significant increases to electricity costs for small business and community organisations. Many sole trader operations work from home – in June 2015 there were 14,626 businesses with no employees in the ACT. Many of these businesses would operate from home. Also, small non-residential customers facing increases up to $300 a year and large non-residential customers facing increases of $1060. This could have significant implications for businesses operating on fine profit margins. Also, community service organisations, eg aged care, early childhood education and care facilities and day treatment providers, are a significant part of the ACT economy and have limited capacity to pass on cost increases in fees or charges – indeed many of these organisations have had funding cuts. Increased electricity costs will impose a further strain on already limited budgets.

The Consortium also notes that there is likely to be increased demand for assistance under the ACT Civil and Administrative Tribunal (ACAT) hardship assistance program and Community Organisation emergency relief programs.

The Consortium notes that the major driving factor for the price rise are costs flowing through from wholesale costs which are inputs in the price setting methodology, in particular the rise in wholesale electricity prices which accounts for 8.31 percentage points of the 10.90 per cent proposed increase. We note that these costs are outside the control of retailers and are partly driven by the current uncertainty in the wholesale market.

We welcome the decision of the Commission to restrict any increase in the retail margin to a CPI increase and also welcome the Commission's decision to refuse to introduce a headroom (competition) allowance.

Comments on specific chapters are as follows:

Chapter 2: Commission's Regulatory Approach and Pricing Model

The Consortium notes the overall regulatory approach adopted by the Commission and supports the decision not to amend the current pass-through provisions to include costs associated with Power of Choice reforms. We note that under these reforms, which commence in the ACT on 1 December 2017, the responsibility for meters will move from the distribution sector to the retail sector and consider that the Commission and the AER keep a watching brief on the outcomes of the reforms to ensure customer interests are protected. Reliance on 'competition' alone is unlikely to be sufficient. There needs to be a careful monitoring of how the costs of reforms are passed on, and whether there is opportunistic behaviour which sees retail costs increase, but no subsequent fall in distribution costs following transfer of responsibility.

The Consortium supports the retention of a carbon cost equal to zero, noting the possibility of the introduction of a 'carbon cost' policy during the regulatory period of 2017-2020.

The Consortium notes that the ACT Government's sustainable energy policies are likely to have a significant effect in coming years as the cost of our prepaid wind and solar energy remains constant while coal and gas prices continue to rise. The Consortium supports the Commission's intention to monitor the impact of this upon its model and considers if these measures are exerting are flowing through to lower prices than the market in the ACT, they should be incorporated in to the model.

The Consortium strongly supports the decision of the Commission to not allow a headroom (competition) allowance, noting that both ActewAGL Retail and Origin argue for such an allowance to increase competition. The Consortium is in strong agreement with the position taken by the Commission that: "In the Commission's view, the arguments in favour of higher prices to facilitate competition in the ACT, fundamentally contradict the efficient pricing outcomes in competitive markets." The Consortium notes that the ICRC requirement is "to promote effective competition in the interests of the consumer" and is strongly of the view that a headroom allowance is not in the interests of consumers.

The Consortium also strongly supports the Commission's draft decision to apply a CPI increase to the retail margin rather than more broadly to avoid a windfall to ActewAGL at the cost to consumers.

Chapter 3. Analysis of efficient costs for 2017-18

The Consortium notes that for the EEIS scheme, the Commission will be using updated cost estimates along with additional details provided by ActewAGL Retail to the Commission to look at their assessment of the ActewAGL compliance costs for the measure in the final report. It is unclear whether this will flow through to customers via additional price increases.

The Commission notes that the application of the CPI increase to the retail margin will provide a retail margin of 5.49 percent, which it considers sufficient and supports this view.

The Consortium notes that the proposed price change will have significant impact on low income consumers, small businesses and community service organisations. We have outlined a number of measures to mitigate these impacts. These include:

- increasing access to and the value of concessions
- improving Industry hardship assistance programs and
- monitoring the *Power Of Choice* reforms closely to see that there is no opportunistic behaviour of distributors and retailers flowing through to higher costs for consumers

References

(i) Environment, Planning and Sustainable Development Directorate "Consultation Draft – Regulatory Impact Statement - Energy Efficiency (Cost of Living) Improvement (Priority Household Target) Determination 2017" ACT Government p3, p8