Factsheet
July 2018

Energy Hardship in the ACT – facts and Figures

Energy affordability is critical, as research shows the cost of housing largely determines how much is left in household budgets to pay energy bills. With the continuing housing affordability crisis many people are going without energy or in some cases having their utilities disconnected.

The Australian Energy Regulator (AER) reports that between 2016-2017 there were 427 residential electricity and 423 gas customers in the ACT disconnected for non-payment. The AER records at December 2017 showed that 817 households were accessing hardship programs to keep the electricity on[1].

The most recent Cost of Living report published by ACTCOSS5 stated that:
"There were significant rises in utilities prices over the year. The most significant rise in utilities costs was gas and other household fuels which rose by 17.8 percent in the past year (with the whole of the rise occurring in the September quarter), which was markedly above the national rise (+7.8%). This was the largest single increase in one quarter since CPI records started being kept for this item in December 1989... Electricity prices increased by 10.6 percent, which was below the rise seen across the country (+12.4%)."[2]

This smaller increase in electricity prices follows the cost of electricity rising in 2017 by 6.3% compared to 4.7% nationally.[3]

The Cost of Living report considered a Selected Living Costs Index(SLCI) as well as the CPI. The SLCI measures the cost of various baskets of goods which are specific to a number of different household types – including 'age pension' and 'other government transfer recipient' (e.g. Newstart or Youth Allowance recipients), 'employee', and 'self-funded retiree' households.[4] It found that:
"over the 12 months to December 2017 the Canberra CPI (2.2%) rose at a higher rate than the national CPI (1.9%). Over the same period, the SLCI for other government transfer recipients (2.4%) and Age Pensioner (2.1%) households rose at a higher rate than the National CPI (see Figure 1). The SLCI rose at a lower rate for self-funded retiree (1.6%) and employee (2.0%) households, though the employee household figure was also above the national CPI figure."[5]

This report also quantified the extent of poverty in the ACT[6]:
Disadvantage in the ACT tends to be hidden behind high averages across indicators such as income, education, and employment. Closer analysis reveals that a sizeable number of people in the ACT do experience poverty and disadvantage, with many experiencing multiple

[1] https://www.aer.gov.au/retail-markets/retail-statistics
[2] ACTCOSS, *ACT Cost of Living Report*, ACTCOSS, Canberra, May 2018,pg.6
[3] ACTCOSS, *ACT Cost of Living Report,* ACTCOSS, Canberra, 2017, pg.6
[4] ABS, *Selected Living Cost Indexes, Australia, December 2017*, cat. no. 6467.0, Explanatory Notes, Australian Bureau of Statistics, Canberra, 2018
[5] ABS, *Selected Living Cost Indexes, Australia, Dec 2017*, cat. no. 6467.0, December key figures, ABS, Canberra, 2018.
[6] ACTCOSS, *ACT Cost of Living Report*, ACTCOSS, Canberra, 2017, p10

disadvantage.[7] The most recent estimate found that there were 34,543 people living in poverty in the ACT in 2015-16 (representing 9.2% of the total ACT population).[8] Of these, 8,897 were children (representing 12.7% of the 0-14 age group).[9]

The number of people who struggle with energy stress is likely to be much higher than the poverty figures.[10]

Low income households are limited in the choices they can make, they rarely have discretionary income in their budgets, have income levels and costs of living that mean they are unable to save and are living in housing that has poor energy efficiency and are either unable (as renters) or incapable (as low income home owners) to make capital investments in their housing to reduce energy usage and are forced to live pay to pay.

A 2018 report from Better Renting estimated the cost of poor energy efficiency in rental housing in the ACT:

"For an average-sized property with an EER of 0, it would cost $2,800 to produce the same amount of heat that would be free in a property with an EER of 5. To put it another way, renters in such a property are being frozen out of free heat equivalent to running two 2000W electric heaters 24/7 from mid-May to September. We estimate that the ACT has roughly 24,000 rental properties that would attain an EER lower than 5. With an average household burden of just over $1,600, the total burden borne by all ACT renters living in energy-deficient properties is equivalent to over $39,000,000."[11]

Energy Debt and Hardship Programs

Households that are struggling to pay their bills will often pay late and/or enter into debt if they do not have money available when their bills fall due. The AER monitors figures on the energy-related debt that results from customers not paying their bills on time. The AER reported that in December 2017, in the ACT, there were 5,909 households with electricity debt, with the average amount of debt being $807.00. Households with gas debt came in at 6,258 with an average debt of $598.00.

---

[7] R Tanton, R Miranti & Y Vidyattama, *Hidden disadvantage in the ACT: report for ACT Anti-Poverty Week*, NATSEM, Institute for Governance and Policy Analysis (IGPA), University of Canberra, Canberra, October 2017, accessed 13 April 2018, <http://www.actcoss.org.au/publications/advocacy-publications/hidden-disadvantage-act-report-anti-poverty-week-2017>.

[8] Calculated by The National Centre for Social and Economic Modelling (NATSEM), The Institute for Governance and Policy Analysis, University of Canberra, using ABS Household Expenditure Survey 2015-16 data. Note: After housing cost poverty rates calculated as the proportion of people living in households in the ACT with an equivalised disposable household income after housing costs of less than half the national median equivalised disposable household income after housing costs.

[9] Ibid

[10] ACOSS, Brotherhood of St Laurence, The Climate Institute 2017 – *Empowering disadvantaged households to access affordable, clean energy*

[11] https://d3n8a8pro7vhmx.cloudfront.net/betterrenting/pages/112/attachments/original/1530085206/Frozen_out_The_Burden_of_Energy_Deficiency_on_People_who_Rent_Better_Renting.pdf?1530085206

Interestingly, there were lower amounts of small businesses with debt compared to households, however the average amount of debt was higher. In the ACT in December 2017 AER reports that there were 444 small businesses with electricity debt and the average amount of debt was $1,416.00; and there were 163 small businesses with debt with the average amount of debt being $2,910.00.

In December 2017 AER reported the ACT had 817 (.44 per 100 customers) electricity customers receiving hardship assistance and 736 gas customers (.46 per 100 customers) receiving hardship assistance – the rate of hardship assistance for electricity is the lowest in the NEM. The hardship programs being referred to in these statistics are delivered by the 3 energy retail suppliers in the ACT: ACTEWAGL, Energy Australia and Origin Energy.

These data do not take account of those being assisted through the ACT Civil and Administrative Tribunal (ACAT) Energy and Water Hardship Program. As on 30 April 2018 they had registered for the program:

Electricity: 571 Households (this is a ***decrease*** in numbers since December 2016 when 622 households were accessing the program)

Gas: 279 Households (this is an ***increase*** in numbers since December 2016 when 128 households were accessing the program)

ACAT new applications in the 2017-18 financial year to 30 April 2018:

Electricity: 267 Households

Gas: 199 Households

In general, low-income households spend a greater proportion of their budget on energy than wealthier households. The opportunity for low-income households to invest in energy efficiency measures is also reduced, which increases the impact for these households. They also have less money available to invest in energy efficient appliances. The Energy Efficiency Improvement Scheme is a government initiative to ensure that low-income households can benefit, Tier 1 retailers (ACTEWAGL) are obliged to deliver a proportion of their energy saving obligations from eligible activities in priority households. A priority household target of 20% applies in 2017 and 2018, matching the 20% of households in which concession card holders live. An eligible priority household is defined in the dictionaries of the EEIS Act .[12] A total of 19,381 priority households received EEIS activities from 2013 to 2016. Commentary in advanced of the ACT Budget 2016-17 states that "concessions play an important role in supporting around 30,000Canberra Households, and the need for support is increasing"[13]An update from paper for workshop_ EEIS 2014 Review has confirmed average savings of $318 per year total savings of $1614 per household[14] ABS estimates that there are approximately 156,000 households in the ACT in 2017, meaning over 19% of all Canberra houses fit the definition of EEIS priority households. This suggests that about two-thirds of ACT priority households have received EEIS benefits to date.[15]

---

[12]Environment, Planning and Sustainable Development Directorate - Environment http://www.environment.act.gov.au/energy/smarter-use-of-energy/energy_efficiency_improvement_scheme_eeis/how-the-scheme-works/priority-household-target

[13] ACT Government (2016), ACT Budget 2016-2017. http://apps.treasury.act.gov.au/budget/budget-2016-2017/factsheets/concessions

[14] Energy Efficiency (Cost of Living) Improvement (Priority Household Target) Determination 2017

[15] *Regulatory Impact Statement to set 2018 Priority Household Target,*pg.9-10

The current energy concession for ACT households is $604 per annum with an increase of $50 coming into effect from 1 July 2018, taking it to $654 per annum.

Disconnections

Retail electricity prices have increased by about 80-90% in real terms since 2007-08. Most of this increase was due to higher network costs between 2008 and 2013. Prices then remained stable until 2016 but then increased again mainly due to wholesale cost rises. Obviously with real price rises of this magnitude affordability for households became a major concern. In 2016 about 37% of customers reported 'bill shock' and residential electricity bill increases since 2016 have exacerbated the difficulties. Low income households have been especially affected.[16]

As noted earlier the recent high price rises have been difficult for some customers and increased numbers of consumers are falling behind on their bills, being disconnected, and struggling to complete hardship assistance programs.[17]

When people are unable to pay their energy bills, one of the more serious outcomes is disconnection. The 2016 Households in the dark report by St Vincent de Paul Society found that disconnections disproportionately affect families and smaller low-income households.[18]

The Australian Energy Regulator (AER) reports that in the ACT between 2016-2017 there were 427 residential electricity customers and 423 residential gas customers disconnected for non-payment. AER statistics reports that for 2017-2018 Quarter 1 and Quarter 2 a total of 259 households were disconnected from electricity and a total of 193 households were disconnected from gas.[19]

[16] 2017 ANNUAL REPORT ENERGY SECURITY BOARD, *The Health of the National Electricity Market*,pg.3
[17] AER Annual Report on Compliance and Performance of the Retail Energy Market 2016-17, November 2017
[18] St Vincent de Paul Society & Alviss Consulting. Households in the Dark: mapping electricity disconnections in South Australia, Victoria, New South Wales and South East Queensland. 2016.
[19] https://www.aer.gov.au/retail-markets/retail-statistics