

Submission to the Office of the Tasmanian Energy  
Regulator Investigation into the maximum prices of  
distribution services and retail tariffs on mainland  
Tasmania provided by Aurora Energy Pty Ltd

Social Action and Research Centre

**ANGLICARE**  
TASMANIA

November 2002

## **1. Profile of Anglicare Tasmania**

Anglicare Tasmania, the largest statewide community service organisation in Tasmania, operates under the auspices of the Anglican Church and is member of Anglicare Australia. Anglicare has offices in Hobart, Glenorchy, Launceston, Devonport and Burnie and provides a range of community services throughout Tasmania including many outreach services to rural areas.

In operation since 1983, Anglicare employs over 300 staff and has developed strong networks and relationships with peak bodies, ministerial advisory committees, local inter-agency networks, other community service agencies, Commonwealth and State governments and the broader community.

Anglicare provides a range of services across the state. These include financial counselling, family and relationships counselling, problem gambling counselling, domestic violence services, services to homeless youth and people at risk of homelessness, services for people with physical and/or intellectual disabilities, or acquired brain injuries, employment services, "Work for the Dole" projects, a Child Care Centre, a needle exchange and emergency relief services.

In 1995 Anglicare established a Social Action and Research Centre (SARC) which engages in research and policy development. SARC's role is to engage in social action, policy development, advocacy and public debate based on appropriate research. Its focus is Tasmanians living in poverty. SARC exists to support Anglicare's mission to achieve social justice and provide the opportunity for people in need to reach fullness of life. SARC's work is informed by the direct experience and involvement Anglicare has developed through its community service work.

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## **1. The terms of reference: The public interest**

In making a determination at the conclusion of the Investigation, the Regulator is required to consider a range of matters including 'the public interest'. Anglicare's submission focuses on this matter due to the high level of socio-economic disadvantage faced by so many of Aurora's domestic customers.

## **2. The affordability of electricity in Tasmania**

Almost 40 % of Tasmanians rely on Commonwealth Government pensions and benefits as their main source of income. This figure vastly exceeds the national average of 28 % and even the second most reliant state, South Australia at 30.8 % (ABS, 2001).

The widespread nature of low-income status in Tasmania means that many low-income families live in communities and networks with very restricted access to financial resources.

The Department of Health and Human Services last year released a detailed study of economic well-being in Tasmania based on data from the Healthy Communities Survey. The report identified a range of indicators that made a contribution to the economic well-being of individuals and households; for example income levels, food affordability, the ability to raise \$2000 in a week for an emergency, debt levels and access to transport.

Findings about the ability to raise \$2000 in a week for an emergency provide a clear illustration of the impacts of Tasmania's pervasively low incomes. Just over 40% of survey respondents (representing almost 129,000 adult Tasmanians) indicated that they would not be able to raise this amount of cash in a week. People in these households experience a constant underlying insecurity about what they will do if they need to meet a major financial responsibility. Major car repairs, the breakdown of a fridge or funeral expenses are the types of expenses which have the potential to cause a severe financial crisis for such households. Significantly, 31% experienced difficulty meeting their financial needs particularly in the payment of utility bills.

The Australian Bureau of Statistics has measured similar indicators on a national level, consistently finding that Tasmanians experienced greater degrees of financial stress than the national average.

**Table 2.1** **Financial Stress**

<b>Question</b>	<b>Tasmania</b>	<b>Australia</b>
Went without meals due to shortage of money	4.7	2.7
Unable to heat home due to shortage of money	3.1	2.2
Could not pay utility bill due to shortage of money	17.3	16.1
Sought assistance from welfare/community organizations due to shortage of money	5.4	3.5
Pawned or sold something due to shortage of money	7.2	4.2
Household couldn't have a special meal (at home) at least once a week due to shortage of money	12.9	11.7

*(Source: ABS, HES 1998-9 unpublished)*

### **3. Demographic groups experiencing most disadvantage**

Researchers from the Department of Health and Human Services have used the Healthy Communities Survey to combine a range of important financial indicators into a single measure - the Index of Economic Well-being. There are clear trends from this analysis which show particular groups of Tasmanians are especially vulnerable economically.

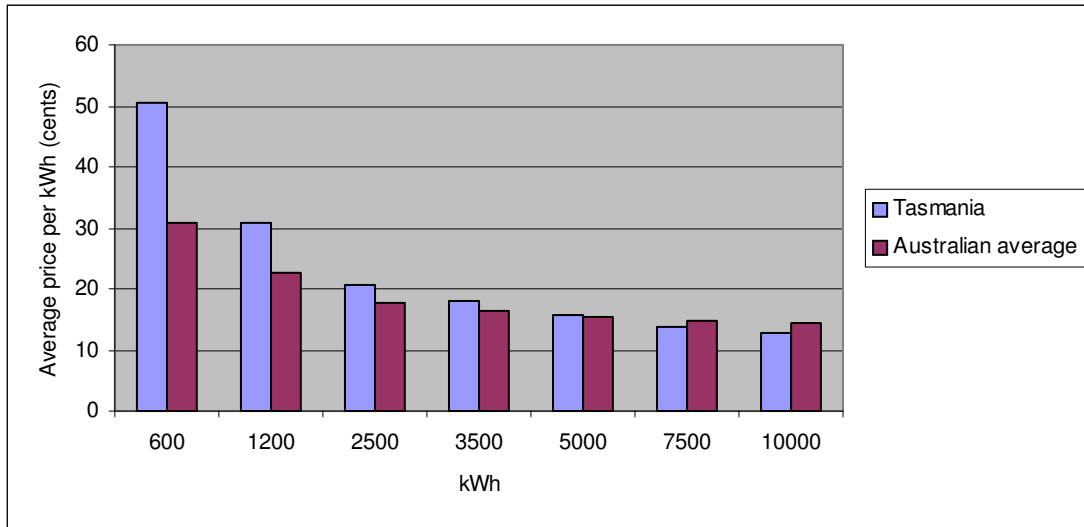
These groups include those people who are generally considered to be financially disadvantaged such as the unemployed, those permanently unable to work and people of Aboriginal and Torres Strait Islander descent. Other groups that tended to experience poor ratings on the Index of Economic Wellbeing included single person households, people who are separated or divorced and younger people (DHHS, 2002).

These local findings reinforce national research, which suggests that the demography of poverty has shifted enormously over the past 30 years. When Professor Ronald Henderson did his ground-breaking work examining poverty in Australia in the early 1970s the major groups of concern were aged pensions and people receiving the single parent's pension. The National Centre for Social and Economic Modelling has estimated that while the aged account for only about 6% of households living in after-housing poverty, single parents still account for 14% of households living in poverty but the major groups presently living in poverty in Australia were the working poor (24%), unemployed (23%) and other recipients of government benefits (15%) (NATSEM, 2000).

### **4. The Cost of Electricity**

The high cost of electricity in Tasmania for residential customers has long been an issue of concern for organizations such as Anglicare.

**Table 4.1 Comparison of Standard Domestic Tariff Electricity Costs**



(Source: ESAA, *Electricity Prices in Australia 2002/2003*)

Aurora Energy customers are noted as typically consuming at least 7500 kWh per annum (which equates to an electricity bill of more than \$1020 for 7500 kWh after GST), however Tasmanian Household Expenditure Survey data indicates that households in the lowest two income quintiles have consumption levels below this figure (HES, 1998/99) indicating widespread rationing.

Further, calculations by the Electricity Supply Association of Australia indicate that Aurora Energy is the second most expensive electricity retailer in the country if customers have Off-Peak Heating and use 7500 kWh of electricity, comprised of 3000 kWh in the Off-Peak period and the remaining 4500 kWh in at the Standard Domestic Tariff (ESAA, 2001). The Tasmanian figures for this Standard/Off-Peak Tariff mix do not come down to the national average price until households are using 20,000 kWh, (8000kWh of this in the Off-Peak period) (ESAA, 2001). Off-peak heating is a typical arrangement in many non-energy efficient and Housing Tasmania residences, exposing tenants in public housing and low income earners in the private rental market to high heating costs.

These high electricity prices have a significant impact on low-income households. Those in the lowest income quintile pay \$15.59 per week for household fuel and power compared to the national average for the lowest income quintile of \$12.85 per week. Similarly those in the second income quintile pay \$18.00 per week for household fuel and power in Tasmania while the national average is \$15.87 (HES, 1998/99).

## 5. Electricity costs as a direct source of financial hardship

Electricity bills are a key cause of financial difficulties for low-income families. A survey of Emergency Relief (ER) providers found that after food costs, electricity bills were ranked as the issue of greatest concern for people accessing ER services (Anglicare, 1999). Given that the high ranking of food costs is accounted for by the practice of most ER providers of prioritizing food parcels, this data demonstrates that electricity bills are a major cause of food crisis for low income Tasmanians. The data also suggested that those in most need of assistance in these essentials were long-term unemployed.<sup>1</sup>

The difficulties faced by Tasmanians in paying for electricity are not surprising. A combination of cool climate and high costs mean that Tasmanians in the lowest two income quintiles pay around 15% more for household fuel and power than the national average for this income group (ABS, 2000a, 2000b). Many low income families report trying to reduce electricity costs by turning off heating and other rationing strategies, stories supported by Household Expenditure Survey findings (ABS, 2000b). However, the high fixed costs for residential electricity consumers mean that such attempts are not very effective (see Table 3).

**Table 5.1 Electricity in Prices in Tasmania (Standard Domestic Tariff)**

Consumption (kWh per year)	600	1200	2500	5000	7500	10000
Annual Cost (inc GST)	\$303.90	\$370.56	\$515.00	\$779.50	\$1023.75	\$1286

(Source ESAA, 2002)

Recent qualitative research on poverty in Tasmania has uncovered numerous accounts of people rationing and going without electricity because they were unable to afford the cost (Anglicare, 2000).

**Recommendation: That the OTER gives consideration to Tasmania's unique socio-economic situation and the electricity usage patterns of Tasmanian low income earners when setting the maximum tariffs.**

## 6. Concessional tariffs: third-degree price discrimination

In the context of high fixed costs for residential electricity, the relief provided by the Electricity Concession (approximately \$160 per annum) is very significant as the reduction in consumption which would be required to make similar financial savings is very large.

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<sup>1</sup> Almost 35% of those seeking ER were on New Start Allowance. The average amount of time people seeking ER had been receiving a benefit was 30 months. (Anglicare, 1999)

The announcement in the State Government's 2002-03 Budget of the extension of the 44c per day electricity concession to Health Care Card holders during the two winter quarters (equivalent to \$80 per annum) is an important step towards a fairer concessions system but the full year concession is desperately needed by the state's lowest income earners.

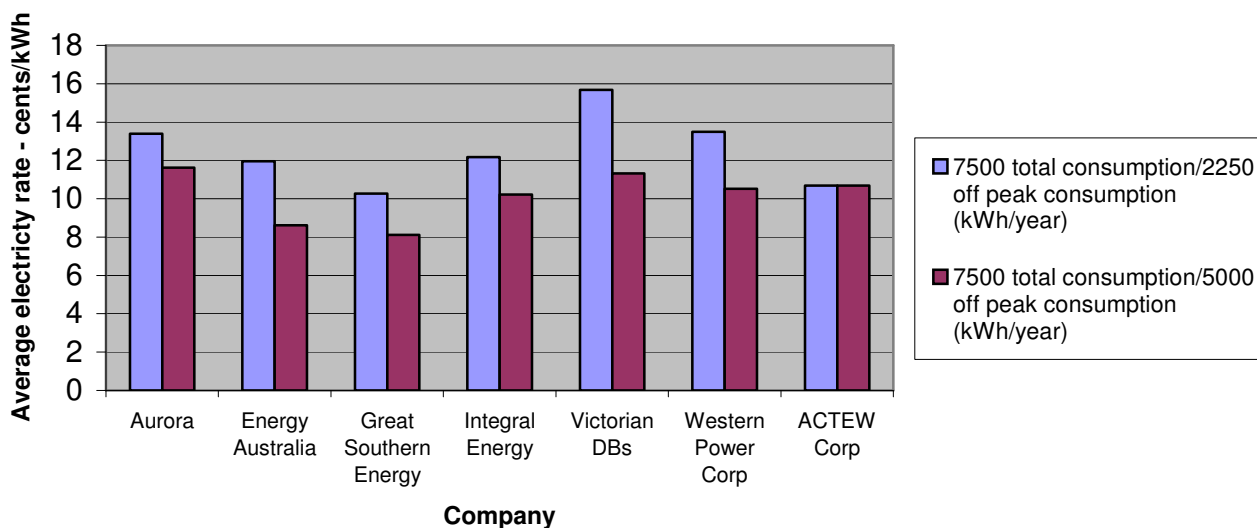
The absence of a full concession for the poorest members of the community restricts their access to this essential utility and their difficulties must be considered in any deliberations around pricing.

**Recommendation: That in the public interest, the OTER determination on price discrimination include a recommendation that concessional tariffs be extended to Health Care Card Holders for the two summer quarters, giving them equity with Pension Concession Card Holders.**

### 7. Pay As You Go Meters

Aurora Energy's Pay as You Go scheme does not compare particularly favorably with other schemes promoting budget conscious electricity consumption. The following table compares Aurora's Pay As You Go tariffs with those of Energy Australia's "PowerSmart", Great Southern Energy's "TimeSaver", Integral Energy's "Time of Use", Victorian DBs "GH & GL" and Western Power Corporation's "SmartPower" and ACTEW Corporation's "Super Saver".

**Table 7.1 Domestic electricity prices.**



(Source: ESAA, Electricity Prices in Australia, 2000/2001)

For consumers using 7500 kWh per year, of which 2250 kWh is off-peak consumption, Aurora offers the third most expensive tariff of the companies surveyed. For consumers using 7500 kWh, of which 5000 kWh is off-peak, Aurora is actually the most expensive.

No assessment has been conducted of the impact of the introduction of PAYG meters in Tasmania in spite of it now being common practice in Tasmanian community service agencies to recommend these to disadvantaged clients. In the absence of an evaluation of this service, community service workers continue in this practice on the basis of positive anecdotal feedback from clients.

The question still remains whether PAYG meters mask unacceptably high levels of electricity rationing and self-disconnections.

**Recommendation: That the OTER call for a full impact study on the introduction of Pay As You Go Meters.**

In June 2002 the OTER released an issues paper for public comment section 4 of which proposed that the definition of the services in the declaration pertaining to electricity distribution on mainland Tasmania be amended to “the provision, installation and maintenance of any meter and meter data capture”. In its submission Aurora sought specific clarification on what was covered under the term ‘meter data capture’. The Regulator responded that the term ‘meter data capture’ represents all costs incurred in the capture of meter information including physical meter reading (OTER, 2002).

**Recommendation: That the OTER expand this definition to include data on levels and patterns of energy consumption in PAYG meters.**

## **References**

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