



4 April 2008

Ms Jackie Bishop
Senior Policy Officer
Department for Transport, Energy & Infrastructure
Level 8, 11 Waymouth Street,
ADELAIDE SA 5000

By email: dtei.enquiries@saugov.sa.gov.au

Dear Ms Bishop

Residential Energy Efficiency Scheme (REES) Consultation Paper

Please find attached COTA's submission on the above paper. Our submission shares much in common with the Submission made separately by SA Council of Social Service (SACOSS) as the issues of interest to the two organisations (particularly with respect to low income households) are very similar.

COTA commends the department for its early and broad consultation with the community sector on the REES, and for the introduction of a scheme that attempts to offset price increases likely to be experienced following introduction of an emissions trading scheme in the next few years. COTA however is most concerned about the cumulative impact on older household's budgets of increases in energy costs from emissions trading, the solar feed-in initiative, and the requirements under the proposed Greenhouse Gas and Flow Rate Performance Standards for Domestic Water Heater Installations initiative; not to mention other essential items like increasing food, petrol and water.

It is also more than likely that energy retailers will increase energy costs to a broad base of consumers to offset the cost of delivery of the REES. Older people on fixed or diminishing incomes will not have the capacity to absorb these costs without significant financial hardship.

COTA strongly urges the Government to carefully consider how these cumulative cost increases and the resulting financial burdens on older low income households can be successfully mitigated.

If you have any questions about this submission, do not hesitate to contact me on 08 8232 0422 or at iyates@cotasa.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ian Yates", written over a light grey circular stamp or watermark.

Ian Yates AM
CHIEF EXECUTIVE

Background

COTA SA is recognised as a strong and effective organisation which provides significant leadership on ageing issues at state and national levels. COTA also delivers a range of programs and services.

COTA is South Australia's peak seniors' organisation with an individual membership of around 20,000 and over 250 seniors' organisation members with a combined membership of more than 60,000. In addition, COTA has 80 associate members who are aged care providers, local government bodies, health units and other service and educational institutions. COTA's membership networks and programs are state-wide.

COTA SA was incorporated in 1957. Since then COTA has established a wide range of aged sector organisations. Currently its key roles are:

- Policy and advocacy - centrally engaged in every major aged related State Government policy over the last 20 years
- Programs and services - COTA manages a range of services and programs delivered within South Australia and in other states
- Representation - seniors' interests are represented by COTA in a wide range of State and Commonwealth government forums, non-government bodies, consumer advisory groups, research bodies.

COTA has contributed significantly to the support and development of the non-government ageing sector across South Australia and nationally.

Introduction

We welcome the opportunity to provide a submission to the Residential Energy Efficiency Scheme Consultation Paper. We commend the Department for its early and broad consultation with the community sector, and for the introduction of a scheme that attempts to offset price increases likely to be experienced following introduction of an emissions trading scheme by 2010.

Collectively our members are seeing first hand the impact that energy market reform and greenhouse reduction initiatives are having in the community. The emergence of the emissions trading scheme and other regulatory initiatives over the coming years has long term implications for the health and financial well-being of low income seniors in South Australia.

Since full retail contestability of electricity in South Australia in 2003, we have witnessed a substantial increase in number of households that suffer enduring financial hardship due to energy costs, and this is unlikely to abate. Generally, these households are referred to as low income households, and are often vulnerable to losing access to essential services (although the two types of households are not mutually exclusive).

Our submission focus' its attention therefore on disadvantaged older people in South Australia and how the design of the REES can target the poorest households in order to break down the barriers to greater energy efficiency and to reduce energy costs. Our suggestions and comments are drawn from the SACOSS long term anti poverty agenda- the *Blueprint to eradicate poverty*, member organisation feedback and publicly stated policy positions in respect to essential services such as gas and electricity.

1. Typical household barriers to energy efficiency

COTA agrees that this is a major barrier to energy efficiency that requires a robust response. Firstly, as the single largest landlord of low income households in South Australia, the South Australian Government, through Housing SA, and the Office of Community Housing, has a key responsibility to ensure all new public and community housing meets minimum energy efficiency standards. Existing stock should be audited to ensure that all properties receive insulation (topping up or new), early retirement and replacement of inefficient water heaters, installation of energy efficient heating/cooling systems, draught proofing and water efficient showerheads. Secondly, we contend that incentives for private landlords must be introduced in order to make sustainable improvements to private housing stock – again with an emphasis on fixtures and fittings such as showerheads, draught proofing, installation of energy efficient heating/cooling systems and insulation.

2. The role of energy retailers

COTA cannot concur with the view that the current retail market is currently 'robust and competitive' (reference on page 13 of the REES consultation paper), particularly in relation to gas. In SA, the privatisation of electricity and gas industries resulted in the creation of a single electricity host retailer (now AGL Energy) and a single gas host retailer (now Origin Energy). This thereby effectively created a duopoly. Smaller retailers can only operate if they manage to persuade customers to take up a contract with them and move away from the dominant providers.

Smaller retailers have difficulty entering the market, and then expanding their business. According to the *2006/07 Annual Performance Report : Performance of South Australian Energy Retail Market* report released in November 2007 by ESCOSA, as at 30 June 2007 AGL (SA) had 57% of the overall electricity market in SA and Origin Energy had 60% of the overall gas market in SA. Market share held by other retailers is very small proportionately. Further, there are segments of the population, for example rural and remote South Australia, where the market is less competitive and where consumers have less effective choice than is available in metropolitan Adelaide.

The above mentioned review concluded that “competition appears to be **generally effective** in the electricity retail market for small customers in SA and is **well on the way to being effective** in the gas retail market.” This does not appear to us to be a ringing endorsement that competition is currently effective and successful in both energy markets in SA.

In addition this report added that “In a survey on barriers to entry and expansion undertaken as part of the review process, the lack of access to adequate gas transmission and distribution services was raised as an area of primary concern by retailers.” (page ii)

It is COTA’s view that competition has not been structured in the South Australian market in a way that benefits consumers, particularly those who are low income and disadvantaged. Further encouragement of competition amongst energy retailers needs to be couched in terms of consumers having the ability to make active choices and understand the reasoning behind the choice. For competition to be effective, more information and education of consumers about the energy market and structures needs to occur.

3. Thresholds

Consistent with our view that competition has not been structured in the South Australian market in a way that benefits consumers, COTA contends that all retailers should be required to participate in REES according to market share. For new retailers, participation requirement targets should be phased in following their initial retail licensing report, in order to determine market share.

4. Priority Group

COTA commends the REES’ policy aim of targeting low income households. Poverty remains a persistent feature of South Australian society, and has increased since the mid-1990s. Poverty is ‘multi-dimensional’ in that it affects different groups of people in different ways.

COTA supports the eligibility requirements contained in the former Energy Efficiency Program for Low Income Households, That is, a household is eligible as a priority group under REES if the household is in receipt of a Commonwealth Government Income Support payment, as evidenced by a current low income health care card or Pensioner Concession Card and the household is in financial hardship due to energy costs.

5. Energy Services

COTA recommends that energy services should be tailored to the priority groups’ individual needs. Low income older households are not homogenous and a *triage* system should be developed in order to prioritise the level of energy services a household might benefit from upon initial referral to the energy service. Some eligible households may need a simple desktop audit while others may require more comprehensive services.

COTA recommends that, in the first cycle of the REES, energy services should be primarily targeted at 'vulnerable households' - that is those experiencing long term financial hardship as evidenced by participation in a retailer hardship program, or recent disconnection. These households should receive special attention under REES by way of annual energy services in order to develop and sustain long term behavioural change and household well-being.

COTA also recommends that energy services delivered in the first cycle of the REES be targeted to older households, particularly single person households on fixed or diminishing incomes, who with the introduction of higher energy prices resulting from emissions trading will find themselves at greater risk of financial hardship.

COTA also recommends that energy services must be conducted by suitably qualified and skilled providers, and concurs with the suggestion that minimum competencies in technical and human services skills are required. Such competencies should be set by ESCOSA in consultation. Energy services should be subject to regular monitored for quality assurance.

6. Commencement , staging and duration

As well as the regulatory reporting requirements, COTA recommends that REES should provide a mechanism for ongoing dialogue between stakeholders over the life of the program to ensure program efficacy.

7. Retailer targets

COTA is keen to participate in discussions with retailers and the community services sector in an effort to work collaboratively to deliver energy efficiency measures.

COTA contends that in some cases, particularly vulnerable households, 100% subsidies will be required in order for retailers to deliver energy efficiency measures. This may prove a disincentive for some retailers to target those vulnerable households. Therefore COTA recommends an extra incentive system be developed to attract full subsidies for measures for vulnerable households.

8. Compliance and reporting

COTA recommends that the compliance and reporting regime for REES be managed in an open and transparent way. We recommend the following:

- a. Retailers make their implementation plans public;
- b. Regular consultation and feedback with the community sector in relation to targeting low income and vulnerable households; and
- c. An annual public forum or seminar is held to report progress.