



Vulnerable consumers' perspective:

**Draft Decision - Distribution Determination and Tariff
Structure Statement for Energy Queensland**

Australian Energy Regulator – Public Forum, Brisbane,

24 October 2019

Contact: Rose McGrath

QCOSS acknowledge the wisdom and integrity of First Nations peoples and I pay my respects to the elders – past, present and yet to come - of the Turrbul and Jaggera people who are the Traditional Custodians of the land we meet on today



My job today....

- Who is QCROSS?
- General comments on process
- Early comments: revenue determination and tariff structure statements (TSS)

We focus on the perspective of residential consumers, particularly those who are vulnerable or experiencing some disadvantage.



About QCOSS



We are Queensland's peak body for the social service sector.

Our vision is to achieve equality, opportunity and wellbeing for every person, in every community.

We believe that every person in Queensland – regardless of where they come from, who they pray to, their gender, who they love, how or where they live – deserves to live a life of equality, opportunity and wellbeing.

Our role. We are a conduit for change. We bring people together to help solve the big social issues faced by people in Queensland, building strength in numbers to amplify our voice.

We create positive social change through our work in advocacy, policy development, engaging and empowering our members, the social service sector and communities. We're committed to self-determination and opportunity for Aboriginal and Torres Strait Islander peoples.



QCROSS' Energy Advocacy Principles

Electricity is an essential service

Energy system exists to serve the community

No-one should be disconnected for inability to pay

All Queensland consumers should know their rights and be able to access consumer protections





General comments



General Comment - Acknowledgement

- Energy Queensland (EQ) staff and much improved consultation in 2019
- Consumer Challenge Panel (CCP 14) and their technical expertise
- Other consumer and community organisations – many of who are not funded
- Consultants that helped us:
 - Luke Berry and David Prins
- Energy Consumers Australia for funding QCOSS

Effectiveness of consultation

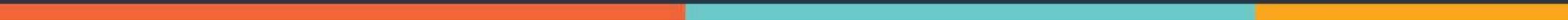
- Quantum of consultation significant and much of the consultation on the Revenue Determination was good
- Insufficient time or effort on TSS specifically
- Merit for a full nation-wide Consumer Challenge Panel wholly focused on TSS





Draft Decision - Early Comments

Revenue Determination





Revenue Determination

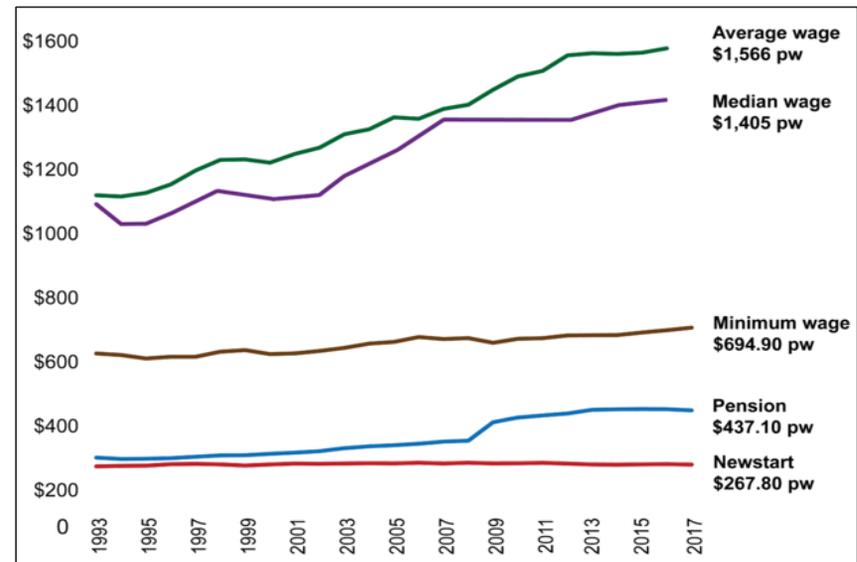
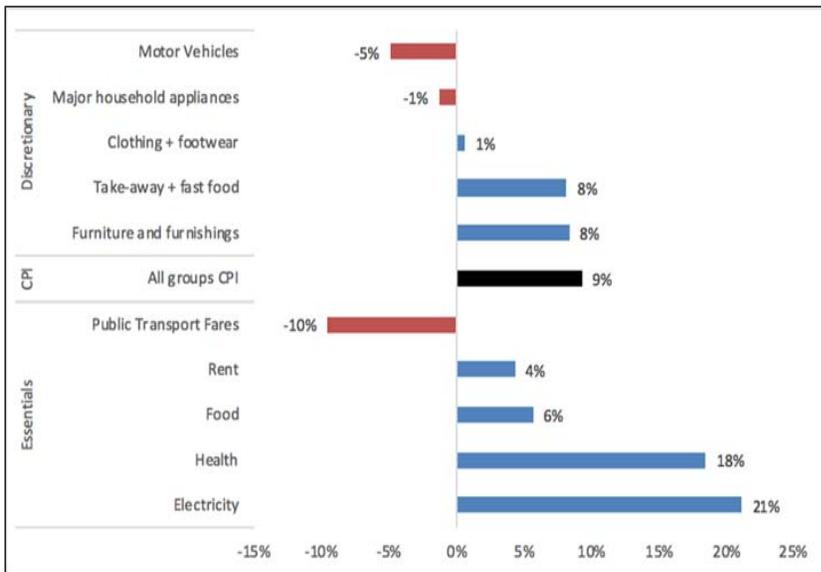
- Overall a positive outcome
- A significant reduction in regulatory revenue for EQ will put downward pressure on prices & bills.
 - acknowledge this is largely driven by reduced WACC and external economic factors
- Downward pressure on electricity bills is good news for customers, especially the vulnerable



WHY LOWER ELECTRICITY BILLS MATTER

Two sides of the coin.....

- Over the last five years the cost of essentials such as electricity have grown much higher than CPI. In contrast, wage and incomes growth has been low
- As a result, the proportion of income now spent on essentials has significantly increased, with those households on low incomes most affected



Source: Brisbane CPI All Group Index ABS 6401.0

WHY LOWER ELECTRICITY BILLS MATTER

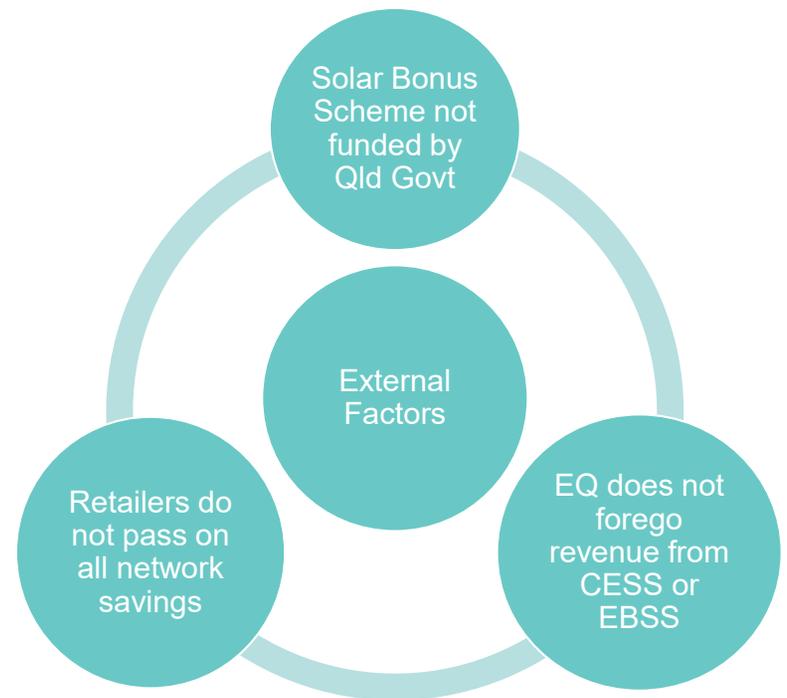
Some people are really struggling....

- Payday loans provide microfinance at exorbitantly high interest rates
- In 2018 almost 800,000 people got at least one payday loan
- Assuming the same proportion as the 2015 data, that equates to about 135,000 people paying their utility bills by payday loan!

	2005	2010	2015
Emergency cash for household expenses	31.4%	33.8%	35.6%
Specific event ⁵	12.8%	9.5%	15.6%
Car registration or expenses	15.7%	13.2%	11.2%
Repay existing loan	17.6%	15.4%	9.8%
Water, gas or electricity bills	9.6%	11.2%	8.9%
Phone, internet or TV bills	1.2%	3.1%	7.8%
Household purchase	8.7%	8.9%	6.5%
Other	2.8%	4.5%	4.6%

Don't want overall revenue draft decision eroded by external factors....

- Qld Government not funding the solar bonus scheme after 30 June 2020
- Retailers do not pass on the reductions in network costs in retail prices
- Energy Queensland does not forego the revenue from CESS and EBSS
- We need the Queensland Government, Retailers and Energy Queensland to ensure that the maximum benefit of the revenue decision holds, and reaches end customers





Draft Decision - Early Comments

Tariff Structure Statement

General Comments - TSS

- QCOSS has been involved in this process for some time now
- Our last submission to the AER in June 2019 had eight recommendations.
- We think that the AER produced very good guidance to EQ for its revised Regulatory Proposal and overall we agree with many components of the decision too:
 - Complete the TSS
 - More rationale needed
 - Undertake customer impact analysis and research
 - Put in place a comprehensive research trial for capacity tariff
- We will be making a submission to the AER on 15th January
- We have chosen to focus our early comments today on five areas

(1) Tariff Design

- We note that the AER has accepted and given guidance that smart meter customers default to the (transitional) demand tariff after 1 July 2020
- We note and agree with AER, that there are challenges and benefits for customers of cost reflective tariffs

Real world context

Tariffs in practice

- People already find electricity tariffs confusing. Cost-reflective tariffs add complexity to this already difficult area
- Even if a person understands tariffs, they may face barriers to either reduce their household energy usage or shift their load profile (a goal of the tariffs)
- Many systemic barriers exist, some of which may particularly impact vulnerable households. eg.
 - Many households can't afford to invest in new appliances, DER, EMS etc.
 - There are practical limits to shifting load and reducing demand eg. for large families
 - Renters must gain permission to make changes

Tariffs Are Confusing

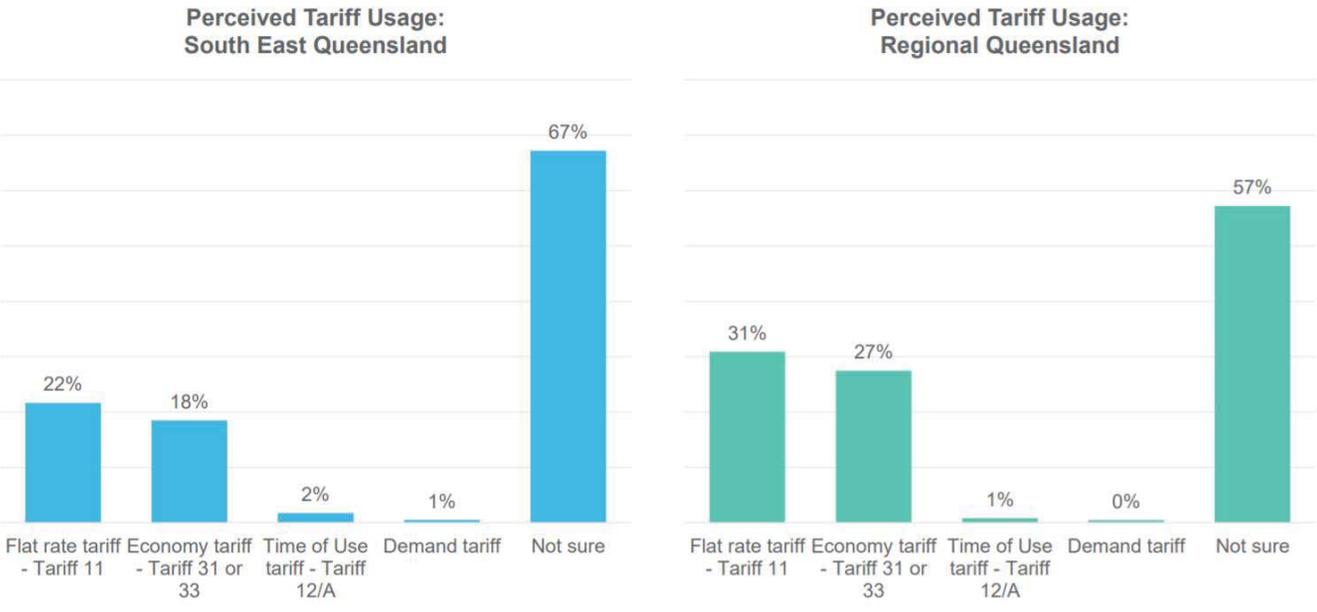
"With your telephone bill you can see if there's a call you didn't make. With energy, it's completely just magic and you don't understand." – Bec

"I used to look at it [my bill] and think what the heck is that? Why am I being charged this one?" – Jennifer

Source: QCOSS Customers Insights Survey



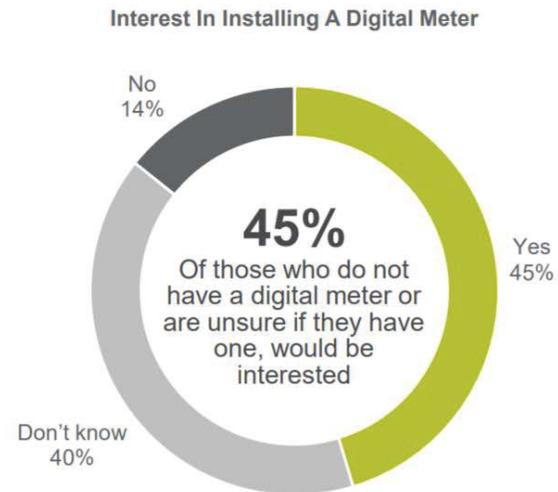
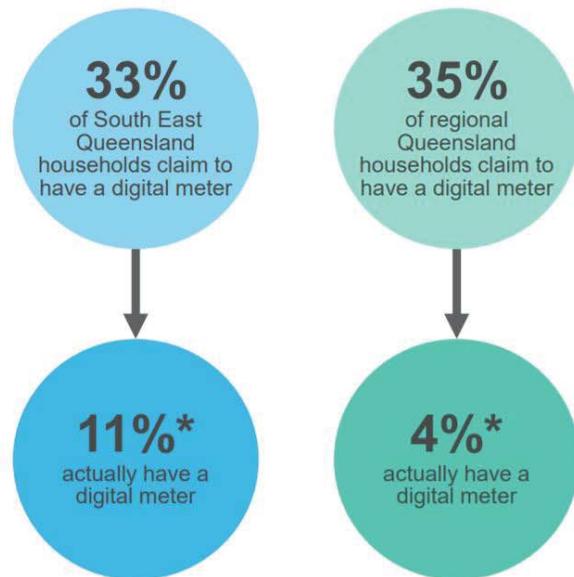
The majority of Queensland households do not know which tariffs they use.



G1A. Do you know which electricity tariff / plan you are on?
G1B. What type of tariff / plan are you on?
Base: Total Sample



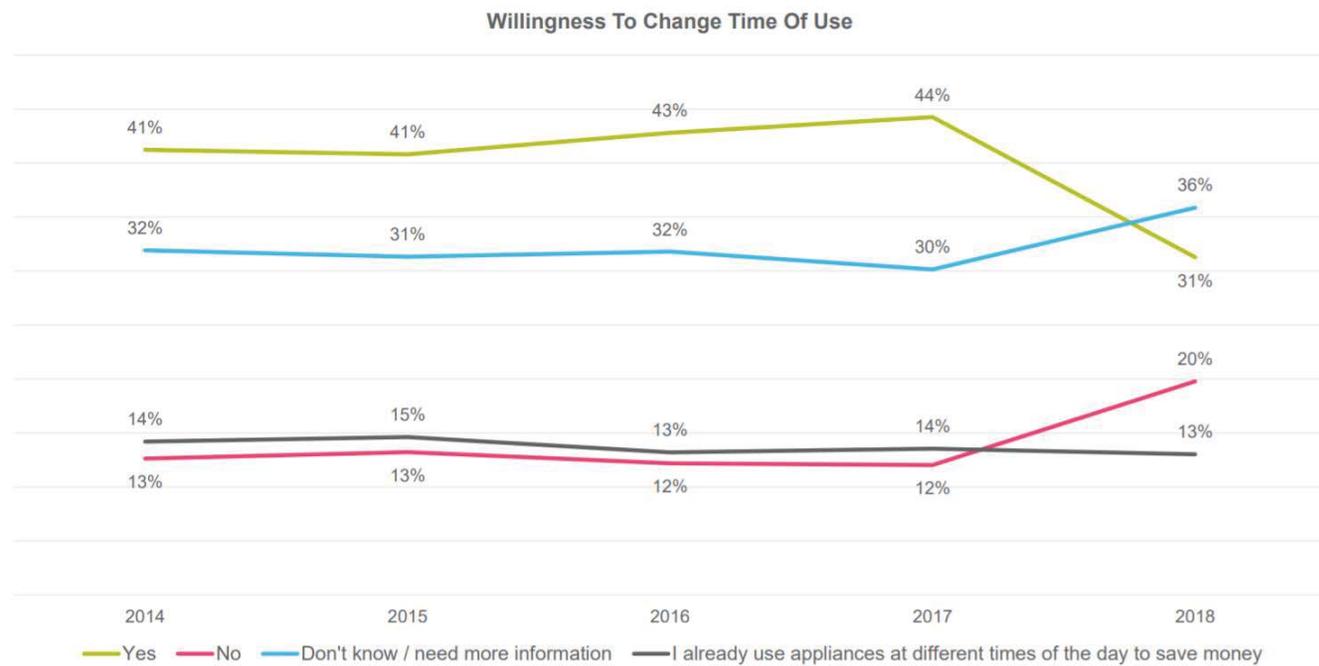
Approximately one in five Queensland households make the incorrect assumption that they have a digital meter.



DESCRIPTION USED IN SURVEY: A digital meter measures how much electricity you've used and when. The meter sends this information back to your energy retailer remotely, so no one needs to visit your property to read the electricity meter. For a meter to be considered digital it needs to measure usage in half-hour periods. (source: <https://www.ergon.com.au/retail/business/account-options/digital-meters/digital-meters-for-homes>)

¹ Internal Energy Queensland data
³³ Do you have a digital meter installed in your electricity meter box?
^{33B} If you were able to request a digital meter from [QS7] at no cost to you, would you place this request for a digital meter?
^{3ase}: Total Sample / Those who do not believe or do not know if they have a digital meter

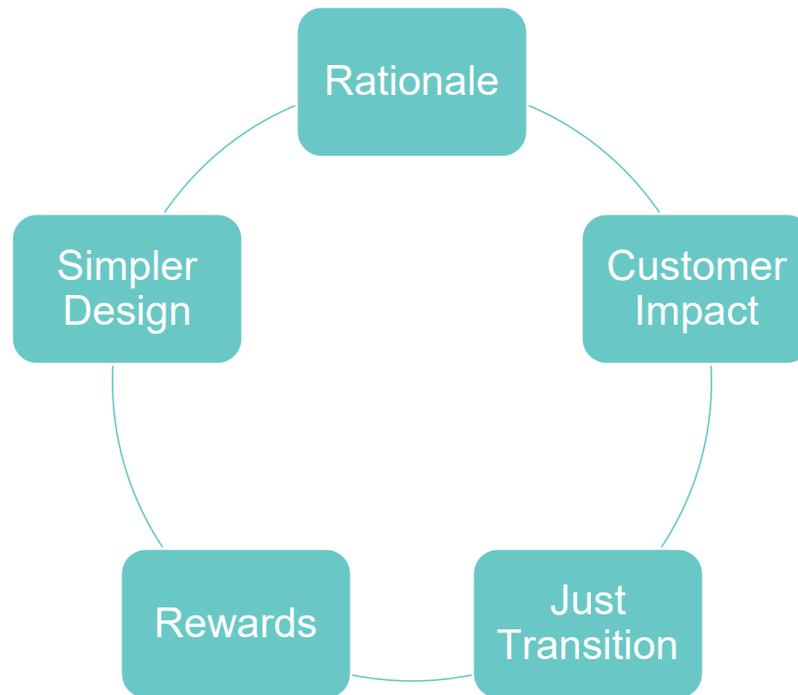
Households are increasingly unwilling to change their time of use or need more information on the reasons for doing so.



H4. If you were able to save money on your electricity bill by changing the time of day you use your appliances, would you change when you use some of your appliances?
Base: Total Sample



Going forward in the revised regulatory proposal - tariff design



Just Transition to the Grid of the Future

- Climate change will impact the most vulnerable the most and we point out the importance of energy sector's contribution to addressing it.
- How are tariffs playing a role for the optimal integration of DER within a timely, successful transition to the decentralised & clean grid of the future?
- We have asked in our submission for EQ to look at the potential of a solar sponge type tariff and extending the control load tariff. This seems to be missing from the EQ proposal and we note that the AER has asked for more information on this.
- We are keen to see this done, and done in a way that ensures a just transition for vulnerable customers and that no one is left behind.



Image credit: AEMC Grid Of The Future Infographic Sept 2019

(2) That all existing digital meters are assigned to default demand tariff after grace period

This presents challenges as it includes vulnerable households:

- 10,000 Energy Savvy Families
- 867 Sunny Savers Program
- 4,000 Card operated meter customers in discrete Aboriginal and Torres Strait Islander communities

- The grace period must be worthwhile and not just a delay for the sake of it!



(3) Safety Net Tariff

- EQ did propose a safety net tariff but AER did not accept it
- Instead AER point to their transitional measures:
 - Grace period for people with existing smart meters for year
 - Recovery of Long run marginal cost over time
 - Can opt-in to an energy TOU if the demand tariff too complex

Ask EQ to explain in its revised regulatory proposal:

- Will the AER transitional measures be good enough?
- Are people still at risk of getting bill shock?
- Do we need opt-out to legacy tariffs or further customer protections for vulnerable customers?

(4) Legacy Tariffs

We not sure what to say about these tariffs and some questions we have are:

- Who will they apply to?
 - Households on basic meters
- Will they be made to become progressively more expensive so as to make the default demand tariffs more attractive?

(5) Capacity Tariff Trial

- QCROSS/Community Sector to work with EQ etc
- Representative of different cohort including vulnerable customers
- Equitable access to the technologies that may be required to respond to price signals so as to avoid bill shock

Going Forward an integrated approach.....



Last word....

- *Queensland Government take a leadership role and work with EQ, retailers and consumer groups; and to put in place a more holistic approach encompassing network tariffs, retail offerings, education, communication, consumer protections and information as part of the network tariff reform journey.*

QCROSS submission to the AER Issues Paper June 2019



Thank you

qcoSS

