

2 March 2009

Independent Competition and
Regulatory Commission
PO Box 975
Civic Square ACT 2608

& by email to: icrc@act.gov.au

Postal Address

PO Box 763
Civic Square ACT 2608

Attention: Paul Baxter, Senior Commissioner

Dear Mr Baxter,

**Re: Issues Paper
Retail Prices for Non-Contestable
Electricity Customers 2009-2010**

Thank you for the opportunity to make comment on the above Issues Paper.
Care's views, specifically Section 3.2, are as follows:

Relevant background:

Care notes the Commission's comment that it is

*guided by organisations such as the ACT Civil and Administrative
Tribunal, Care Financial Counselling Service, the ACT Council of Social
Service and other support agencies*

when giving effect to its obligations under section 20(2)(g) of the ICRC Act.

The recognition of relevant community expertise, particularly in relation to issues impacting low income consumers is welcome. On a number of occasions however Care has expressed public concern that the Commission does not sufficiently understand or engage with the social impacts of its decisions on vulnerable customers.

In particular, in its submission to the 2008-2009 Budget process Care recommended a fundamental change to the Commission's make-up and remit to ensure that it remained relevant and that its social policy obligations were given sufficient prominence. Government has to date made no comment on this recommendation.

Comment specific to the Issues Paper

- a) Care's service delivery experience suggests that low income consumers are particularly vulnerable to rising energy costs¹. Increases in electricity prices since 2007 have been compounded by a variety of additional cost pressures, including food, housing, medical and fuel. Low income consumers generally lack the capacity to respond to significant increases in the price of energy (and other) basics. They have little, if any, money for discretionary spending and overwhelmingly live in accommodation that is poorly constructed, badly insulated and contains outdated appliances; all of which make this group extremely sensitive to price rises.
- b) Increasing cost pressures have been matched by decreasing income in real terms in many low income houses. The Commonwealth Government has in part recognised the problem by commissioning a review of pension incomes. Care and its core client group eagerly await the outcomes of this review but note that recipients of allowance incomes (such as Newstart) are not included in the review.
- c) Rising costs of electricity can affect low income consumers in multiple and compounding ways including; the social isolation that accompanies a disconnected supply, the potential health effects of inadequate heating or cooling, to going without other life essentials such as medication or food. Care regularly sees low income consumers forced to make choices between *essentials* such as food and energy. Care acknowledges many factors may contribute to disadvantage. Energy however, is vital to maintain quality of life, particularly in a jurisdiction such as the ACT where winter temperatures are severe and the costs associated with heating are amongst the highest in the country.
- d) The steady rise in moderate income households suffering financial hardship appears to be continuing despite recent interest rate cuts. The emerging area of concern is the potential for loss of employment as a result of the economic downturn. As with interest rate rises on top of surging debt levels, the effects of increased unemployment and under-employment are likely to hit households that are the least equipped to deal with financial hardship. Care has experienced in recent years, an increase in the depth and breadth of hardship in the general community; this puts pressure on support systems; both within government and across the community sector.
- e) The Commission makes reference to the use of concessions to offset the impacts of price rises on low income customers. Concessions are a useful tool but in Care's experience they are insufficient to deal with what is in fact an issue of increasing structural unfairness. Whilst the Commission has repeatedly pointed to the benefits of increased competition as being a driver of good consumer and economic outcomes, there is little hard evidence to support a conclusion that ordinary and low income

¹ Analysis of Care Inc. data 1 July to 31 December 2008 showed utility debt represented approximately 22% of presenting issues for clients.

households are better off. Suggestions that price increases would have been greater without competition are of little value without hard data.

- f) More broadly, Care recognises the need to focus on more and better energy efficiency measures to counter the impacts of climate change. Very few of these measures, however, provide genuine incentive, opportunity or adequate support to low income households. For example, the proposed Feed-In Tariff will effectively exclude low income households from participation due to the high initial financial outlay; and low income households will be disproportionately affected by any rise in electricity prices as a result of the Feed-In Tariff. Given such changes to energy markets; appropriate, considered regard for the social impacts of decisions that affect vulnerable and disadvantaged consumers is of even greater importance.

Care thanks the ICRC for the opportunity to comment on the Issues Paper.

Contacts

Carmel Franklin
Director

Liisa Wallace
Client Services Co-ordinator