



**ENERGY
CONSUMERS
AUSTRALIA**

A Suite 2, Level 20, 570 George Street
Sydney NSW 2000
PO Box A989
Sydney South NSW 1235
T 02 9220 5500
W energyconsumersaustralia.com.au
TW @energyvoiceau
in /energyconsumersaustralia
f /energyconsumersaustralia

ABN 96 603 931 326

9 March 2023

Ms Sophie Dunstone
Committee Secretary
Select Senate Committee on Cost of Living
costofliving.sen@aph.gov.au

Energy Consumers Australia Submission to the Select Senate Committee on the Cost of Living

Dear Ms Dunstone

Thank you for the opportunity to provide a submission to this important Inquiry.

Energy Consumers Australia is the national voice for residential and small business energy consumers in the National Energy Market. We were established in 2015 by Energy Ministers to promote the long-term interests of energy consumers with respect to price, quality, safety, security, and reliability of supply.

The rising costs that consumers are facing have both immediate and long-term impacts as consumers make decisions and face challenges at different points in time. We advocate for policy measures that address both the short and long term, to ensure we are responding to the immediate need, as well as supporting and empowering consumers as we build for the future. Our submission to this Inquiry raises concerns about the impact of rising energy costs on residential and small business consumers and details the actions required.

We advocate that the Commonwealth should:

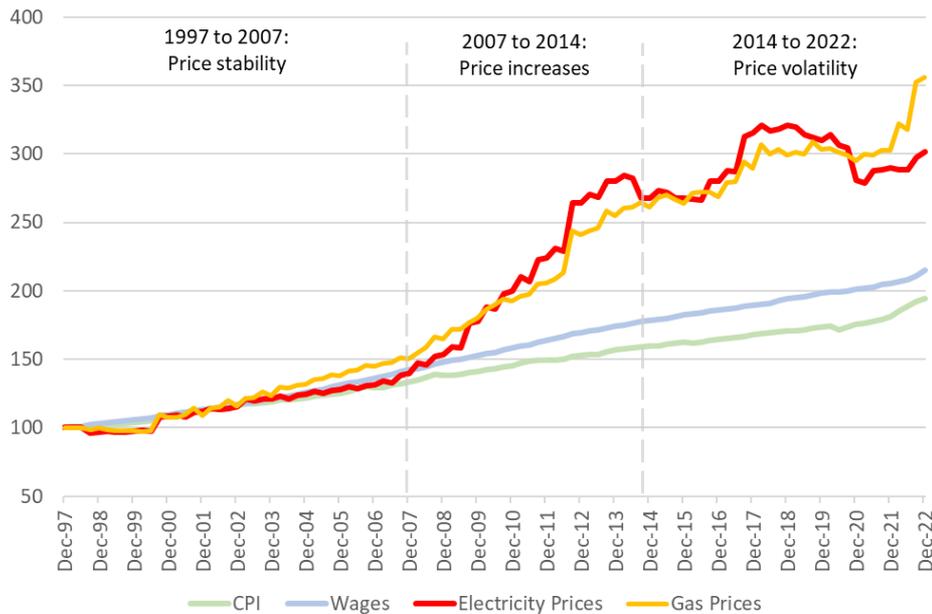
- address issues in the wholesale energy market that impact on retail energy prices;
- provide direct assistance and concessions to households to help with rising energy bills and;
- ensure consumers are informed and resourced to make decisions about energy usage and energy efficiency.

Consumers are concerned about energy affordability

The Australian Bureau of Statistics (ABS) announced that quarterly inflation is higher than expected at 7.8%, which is just a touch off the Reserve Bank's estimated peak of 8%, with high food and energy prices a driving force.

Figure 1 shows that electricity and gas prices have been increasing at a rate that far exceeds both wage growth and CPI growth, with prices remaining relatively high for at least a decade. Gas, in particular, has seen a significant increase in the past year.

Figure 1: CPI growth, wage growth and electricity and gas price changes (December 1997-December 2022)



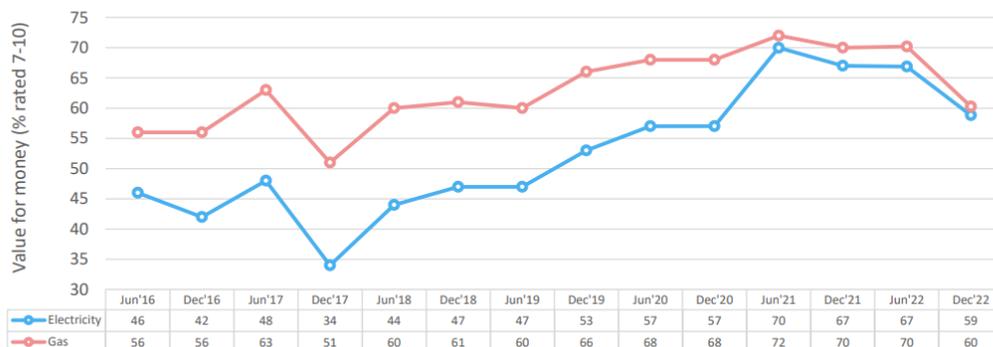
Source: ABS Catalogue 6401, ECA analysis.

Note: Figures have been normalised to 100 in December 1997 to compare growth in each figure since December 1997.

Energy is an essential commodity. It keeps us healthy, safe and connected. Our Energy Consumer Sentiment Survey (ECSS) results tell us that the price of energy is of significant concern when it comes to cost-of-living pressures.

Electricity is ranked by 52% of households as one of the top three bills they are concerned about paying, second only to car and vehicle costs. Figure 2 shows that the number of households rating value for money has decreased by 8% for electricity (59%) and 10% for gas (60%) in the past year. This is echoed for small businesses who rate value for money at 60% for electricity (a decrease of 9%) and 63% for gas (a decrease of 7%).

Figure 2: Residential customer value for money for gas and electricity overtime



Source: Energy Consumers Australia Energy Consumer Sentiment Surveys

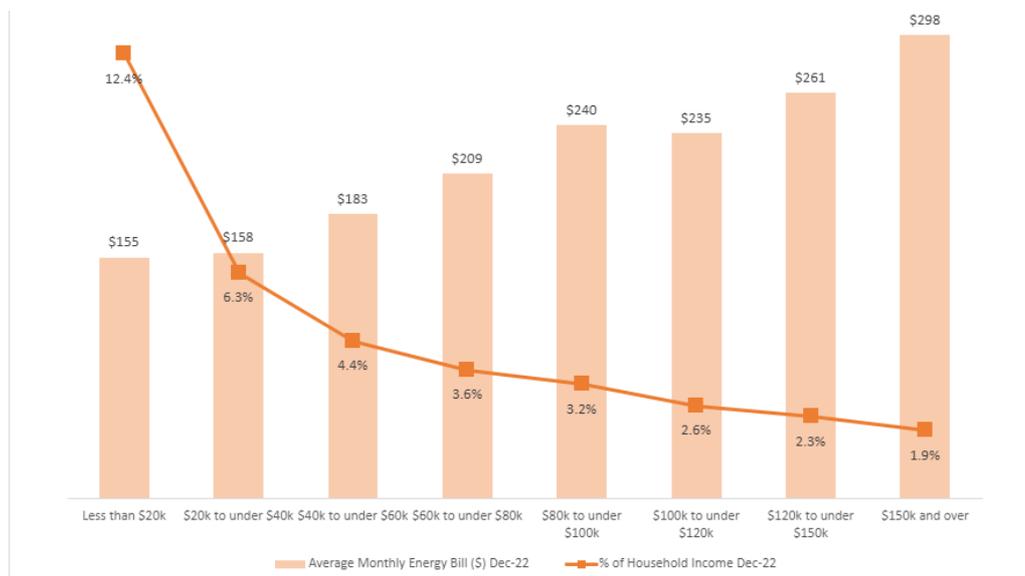
Consumers are also worried about what’s still to come. Around half (52%) of all consumers, and more than three quarters of consumers under financial pressure (77%), are worried electricity and gas will become unaffordable for them in the next 3 years. 73% of consumers were concerned it would become unaffordable for others.

Increasing electricity costs are widening the energy divide

Some households can effectively ‘insulate’ themselves from increasing energy prices by investing in technologies such as rooftop solar and improving the energy performance of their homes and appliances. However not all households have the means to do this. Our Energy Consumer Behaviour Survey revealed 40% of financially comfortable customers reported having rooftop solar but this number reduced to 23% for consumers under financial pressure. Similarly, 64% of financially comfortable customers reported having ceiling insulation compared to only 45% of consumers under financial pressure.

In 2022, the ACCC found that customers on hardship programs and payment plans had a significantly higher quarterly energy usage than general customers due to greater household sizes and lack of access to efficient housing and appliances including rooftop solar¹. As a result, we see these households paying a significantly higher proportion of their income on energy bills. Figure 3 shows how electricity bills as a proportion of household income increases for lower income households, reaching 12.4% for those on the lowest incomes compared to only 1.9% for those on the highest.

Figure 3: Electricity bills as a proportion of household income



Source: ECA Survey Analysis

¹Australian Competition and Consumer Commission, [Inquiry into the National Electricity Market](#), May 2022

In our qualitative survey conducted in October 2022, financially pressured consumers in particular highlighted the lifestyle changes they had been forced to make in the face of rising energy costs. One respondent said:

“Of course my bills has (sic) increased. I have made cuts to expenses such as not using the heating/cooling, not eating out as much or getting takeaway coffees etc” (Male, SA, 40-49 years, financially pressured consumer)²

The rising cost of energy will impact consumer trust in the market

The rising cost of electricity and gas means that fewer consumers have confidence and trust that the market will deliver on their needs.

In December 2022, only 35% of households were confident that the energy market is working in the long-term interest of consumers, a drop of 9% compared to the same time last year³. This is particularly low for customers under financial pressure, at only 21%. While small businesses are slightly more likely to believe that the energy market is working in their long-term interests, this number is still less than half (43%).

And these concerns are impacting consumers who are still recovering from the physical, mental, and economic turmoil of the COVID-19 pandemic with over half of small businesses (51%) and 43% of households reporting their energy bills are a lot higher than before the pandemic.

The Commonwealth must act to tackle high energy prices and its impacts on consumers

Acting on wholesale energy prices

The price retailers pay for wholesale energy makes up approximately 30% of household energy bills⁴. Acting to reduce wholesale energy costs will therefore have a significant impact on a household's final bill.

The past year has seen a number of issues affect the wholesale energy market, including the war in Ukraine, extreme weather events and generation outages caused by an ageing fleet of fossil fuel generators. The cost of this has already made its way on to household bills.

We support the government's move to implement fuel price caps on coal and gas. The caps will help shield consumers from excessive bill shock in the short term while broader energy market reforms are implemented to deliver an affordable, reliable and clean energy system.

We also welcome the National Energy Transformation Partnership and the National Energy Performance Strategy as long-term visions to support the interests of Australia consumers. Together, these set the foundational architecture for equal weight being given to both the supply and the demand side in the energy transformation.

² Energy Consumers Australia, [Consumers' Voice](#), October 2022

³ Energy Consumers Australia, [Energy Consumer Sentiment Survey](#), December 2022

⁴ Australian Competition and Consumer Competition, [Inquiry into the National Electricity Market](#), Appendix D, November 2022.

Rebates and concessions

Acting on wholesale energy prices will take some time for the effects to flow through to consumers, and so the second approach we recommend benefits consumers directly and is even more critical.

We were pleased to see the Commonwealth Government establishing a \$1.5 billion Energy Bill Relief Fund, which will be matched by States and Territories, to assist eligible households and small businesses. This is an effective way of delivering assistance to Australians who need it, without inadvertently contributing to inflation, which is already causing pain to consumers.

Work will need to be done, however, to ensure consumers are accessing available support. In National Energy Customer Framework jurisdictions, between 19% and 38% of eligible consumers are not claiming an energy discount or rebate⁵. Similarly, our sentiment surveys show that, while value for money has decreased, there are now less households and small businesses reaching out for help than last year, with 73% of households and 53% of small businesses saying they had not asked their electricity provider for help managing their bills.

Information requirements

Only 57% of residential consumers feel that there is enough easily understood information available to make decisions about energy. And only 63% feel confident in their ability to make choices about energy products and services. Both of these have seen a 4% decrease in the past year. We see similar numbers for small businesses, with 60% confident that there is enough easily understood and 65% confident in their ability to make choices.

We need all Australians to find it easy and intuitive to make decisions about new appliances, changes to their homes and businesses and potential changes to their behaviour, as these can all contribute towards lower bills.

This was recognised in the 2018 ACCC [Retail and Pricing Inquiry](#) which recommended measures to improve energy literacy for both households and small businesses (recommendations 38 and 52). In response to these findings, the Commonwealth Government established the Business Energy Advice Program (BEAP) for small businesses.

However, despite its many successes, including ‘managing to reach one in every 14 Australian businesses in the target demographic (6-20 employees or 1-20 employees in drought affected areas)’⁶, the program was only funded for three years, ending in August 2022. We see an ongoing need for this type of business support. In December 2022, Business NSW reported that just under 40% of businesses who had not sought advice on reducing energy bills said they had not done so as it was too complicated and they did not know where to start⁷.

One business owner in our qualitative forum said:

“I would appreciate greater customer care in the form of practical suggestions and products that could help us become more energy efficient and to lower costs” (Female, NSW, 30-39 years, business owner)⁸

⁵ Consumer Policy Research Centre, [Mind the Gap Report](#), November 2022

⁶ Business NSW, [Unfinished Business: Putting small business energy policy back on the table](#), December 2022.

⁷ Business NSW, [Unfinished Business: Putting small business energy policy back on the table](#), December 2022.

⁸ Energy Consumers Australia, [Consumers’ Voice](#), October 2022

We are, however, pleased that Ministers have agreed on a national energy literacy program to be further explored by Energy Consumers Australia. As discussed in their most recent Energy and Climate Change Ministerial Meeting:

“this will address current knowledge gaps and ensure consumers are exposed to consistent, targeted and accessible messaging that empowers them to further reduce their energy costs”⁹.

Looking beyond the short-term challenges in the market, renewable energy and variable fuel sources, once they are widespread, will bring about periods of energy scarcity and abundance. We therefore need significant investment in energy efficiency measures and information campaigns, that are well designed and well supported, to give consumers agency over their own energy bills and to keep the overall system costs down.

A cost-of-living crisis does not exist only in a moment of time. Consumers today are being faced with decisions that impact the current wellbeing for themselves, their families or their businesses, as well as their plans for their future. And whether it’s directly or indirectly, energy has and will continue to have a significant impact and must be holistically addressed.

Yours sincerely



Jacqueline Crawshaw,
Director, Energy Services and Markets

⁹ Energy and Climate Change Ministerial Council, [Communique](#), 24 February 2023.