

# Energy and Poverty – Presentation to ECA Board, Adelaide 8 November 2017

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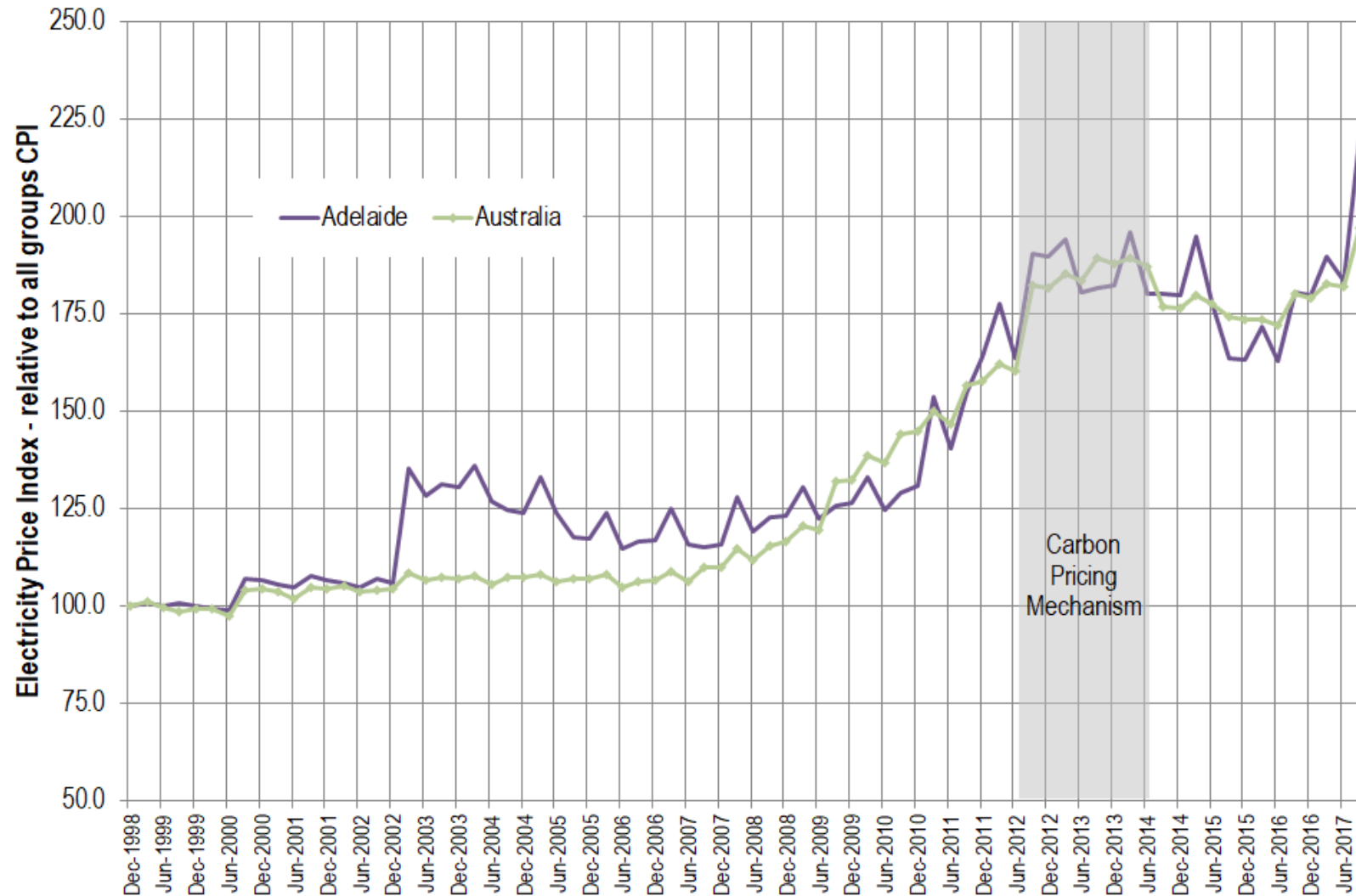
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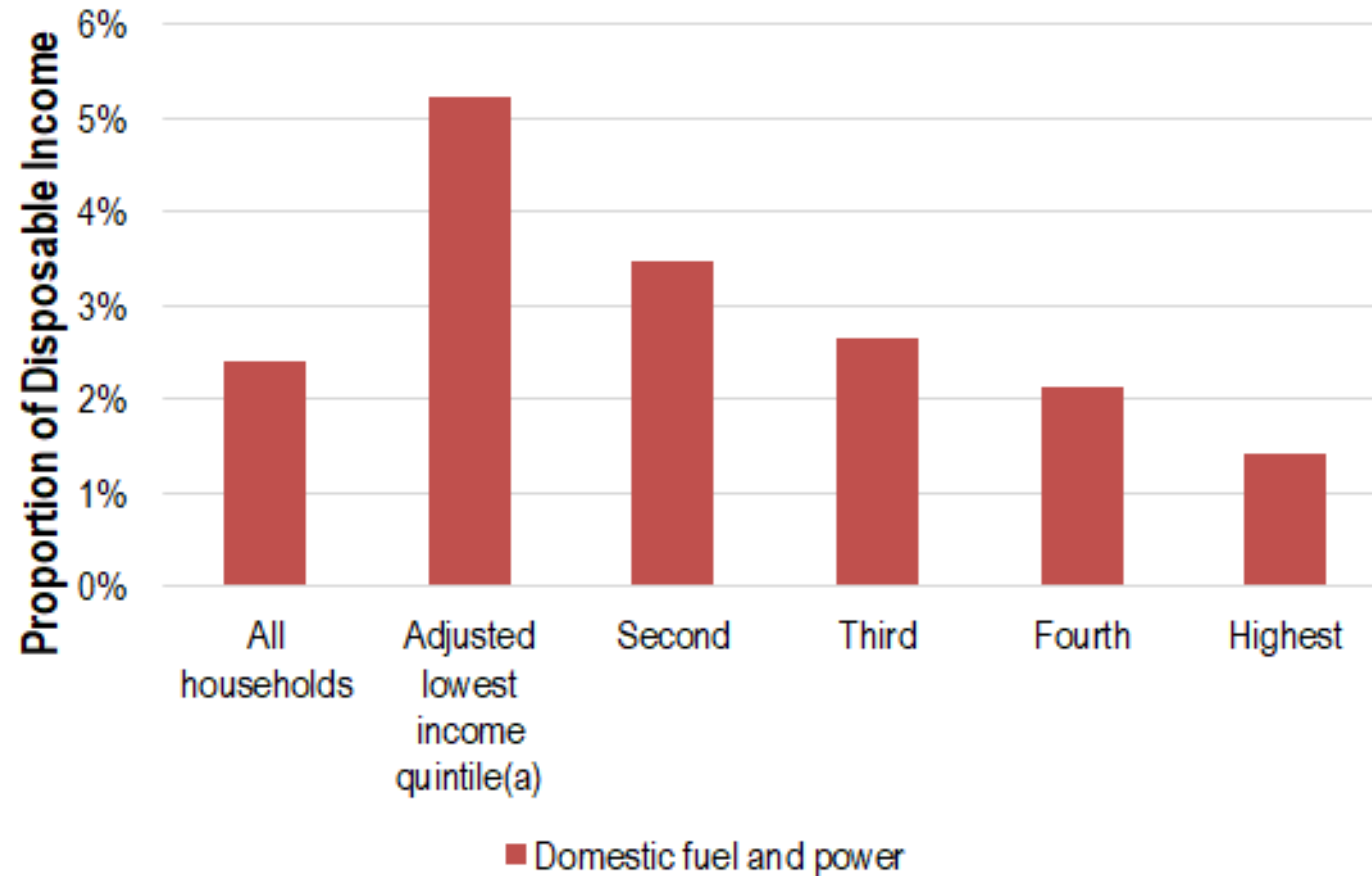
# Energy and Poverty ... Eat or Heat?

- The Playford era linked the electrification of the state with social and economic development
- Energy Market reform since the 1990's has explicitly separated energy policy from social policy (separation of economic efficiency objectives from equity objectives)
- Issues obvious since FRC in 2003 if not before
- The nature of electricity magnifies the impacts of income inequality ... if it can't be solved, needs to be managed
- Governance is fragmented and policy champions are few
- PhD Energy Policy Research ... should the long-term interest of end users include objectives of: "*universal access*" and "*affordability*" of energy services ?

# SA Retail price volatility – 20 years

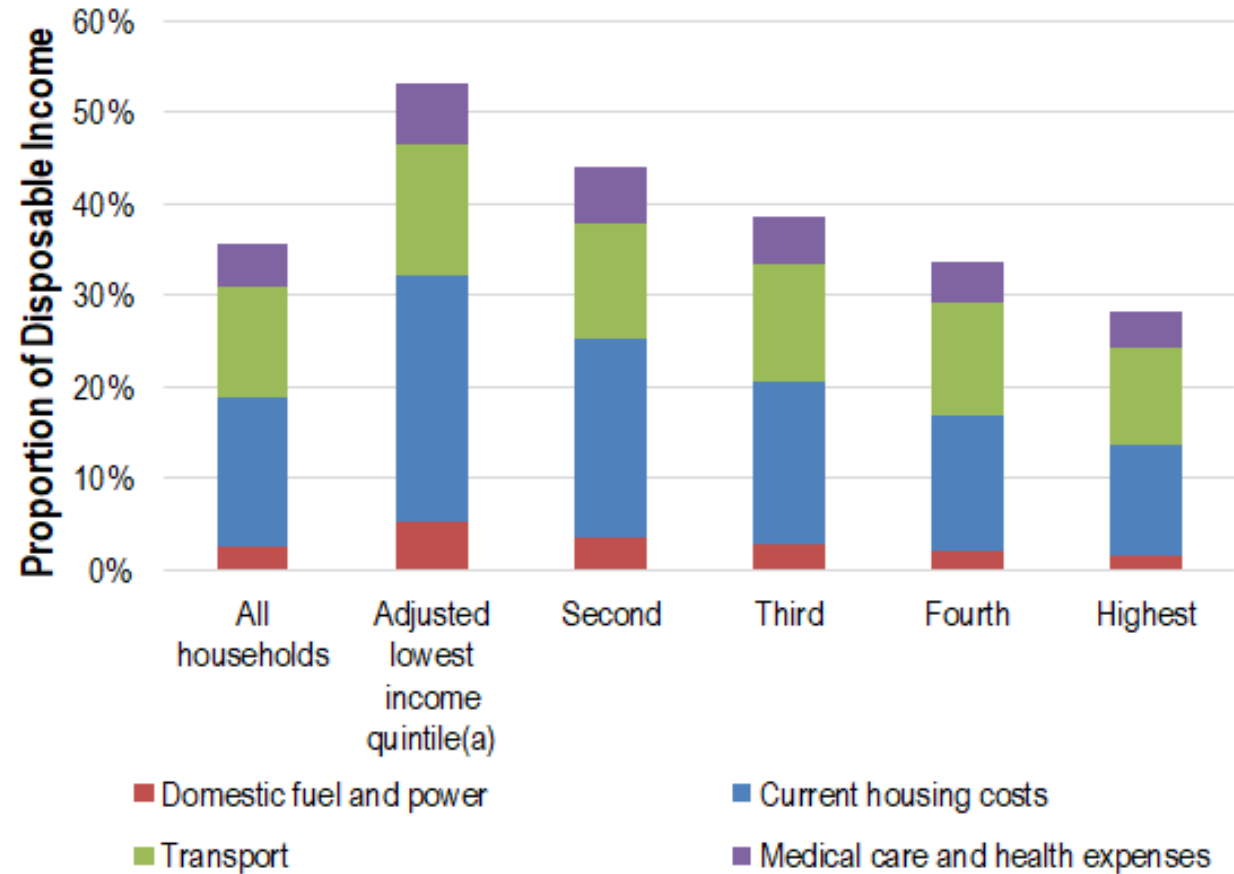


# ABS Household Expenditure Survey 2015-16 (Sep 2017) – Energy

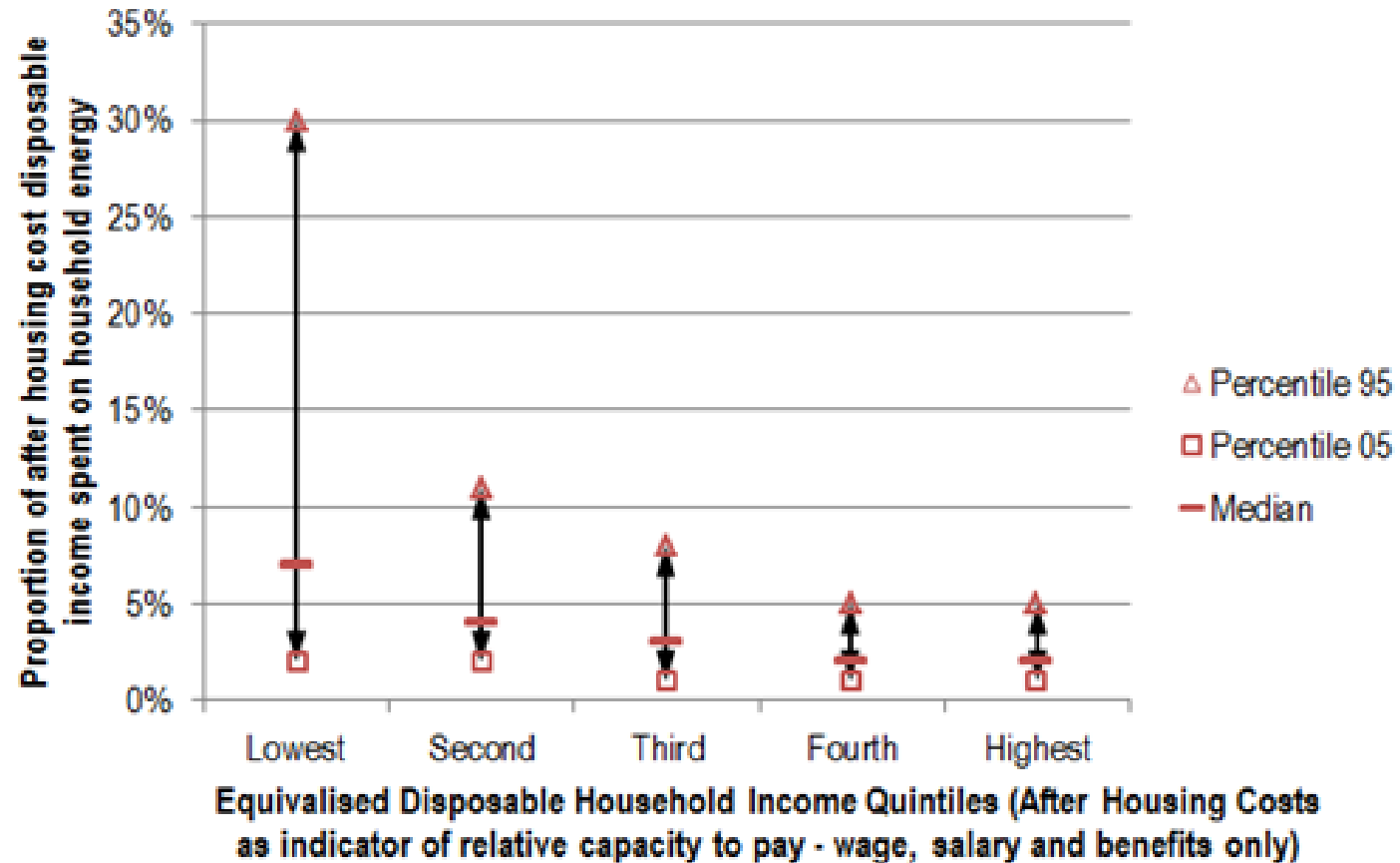


# ABS Household Expenditure Survey 2015-16 (Sep 2017)

## Energy + Housing + Transport + Medical + Health



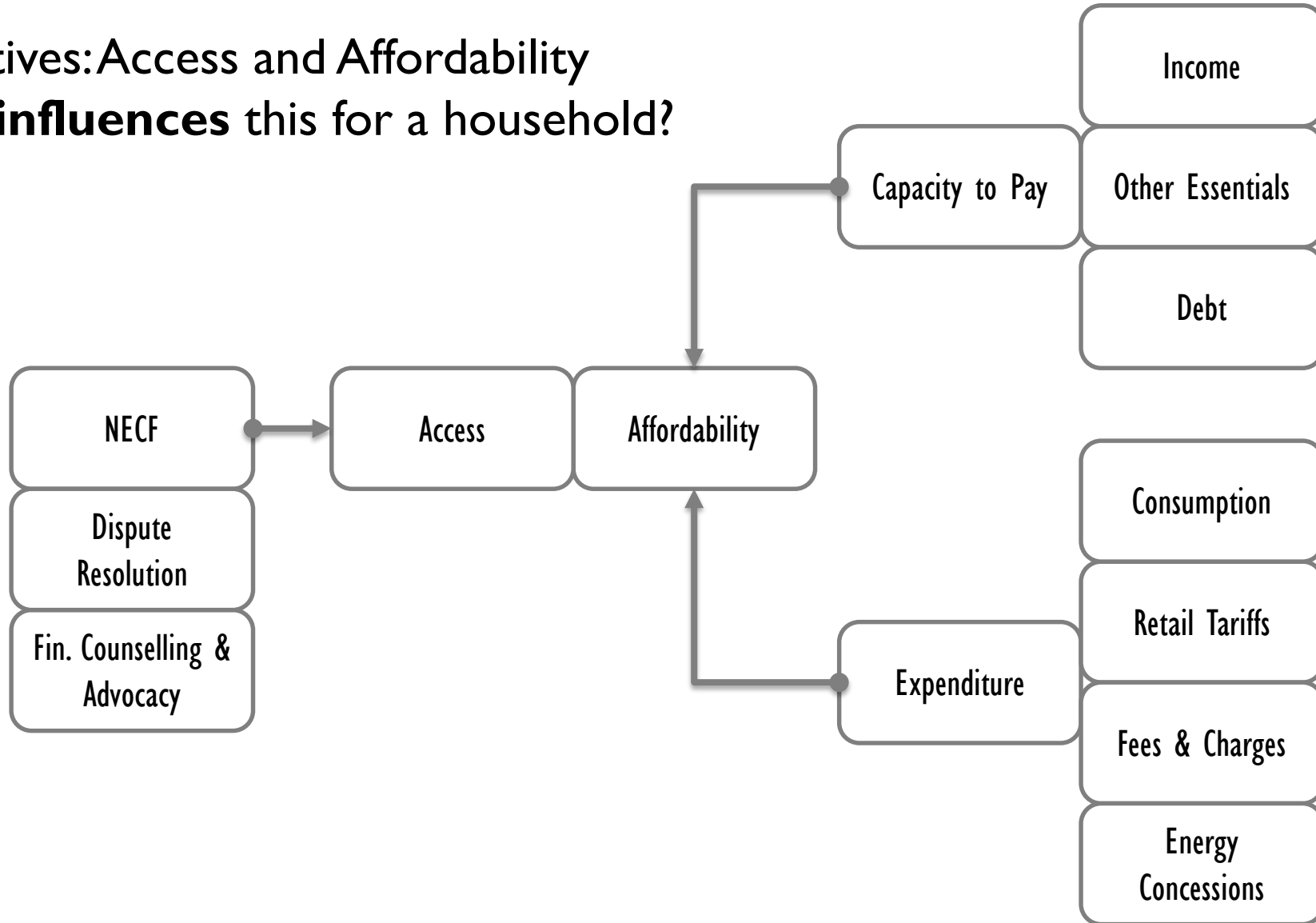
# Beyond averages (from ABS HES 2009-10)

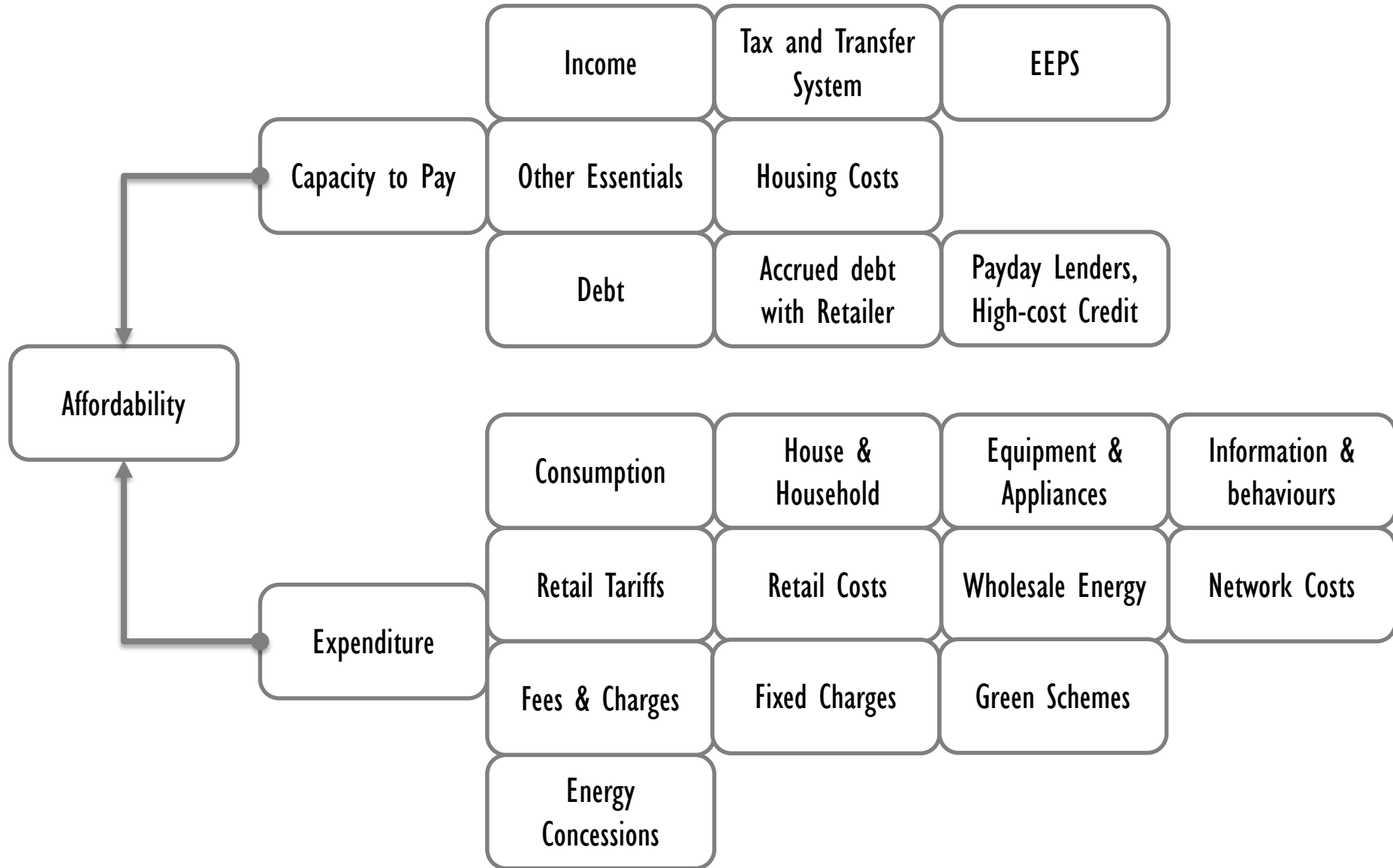


**Figure 14:** Average expenditure on household energy as a proportion of relative capacity to pay (after housing cost disposable income) by Equivalised Disposable Income (Source: ABS 6530.0 Household Expenditure Survey, Australia 2009-10)

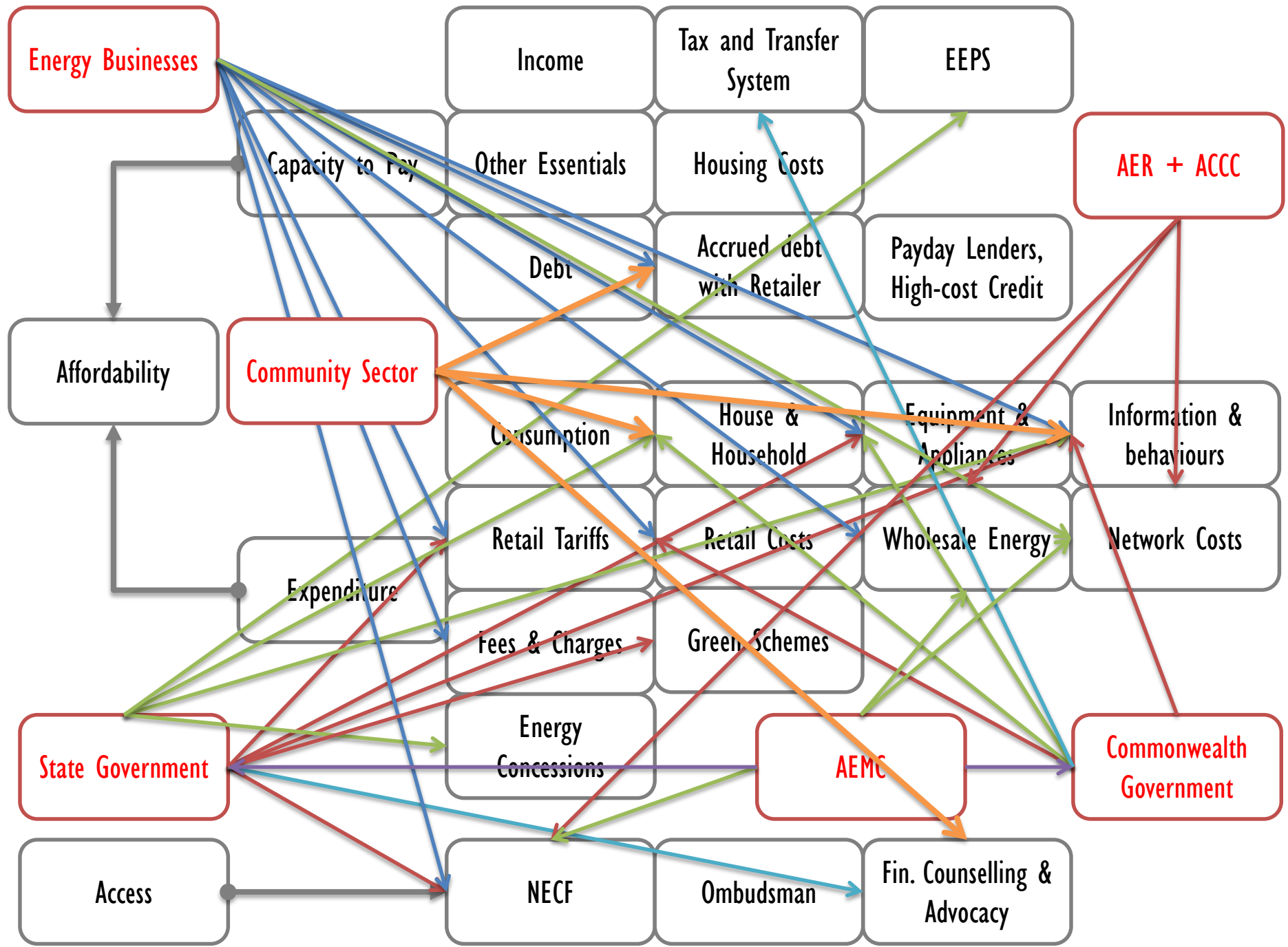
# Objectives: Access and Affordability

What **influences** this for a household?









# Distilled to 5 Public Policy Outcomes

An objective of universal access to affordable energy services requires:

- Stable & Efficient Pricing AND
- Informed, engaged, empowered consumers AND
- Energy consumed efficiently and productively AND
- Robust consumer protections AND
- All households have a capacity to pay their energy bills

# I. Stable and Efficient prices

Issues:

- Effectiveness of retail competition
- Wholesale market volatility (+NEG)
- Tariff reform
- Other costs recovered on energy bills

Recommendation for ECA:

- Rule change following ACCC review?

## 2. Informed and Engaged Consumers

- Promote vulnerable consumer engagement with energy markets  
AND
- Protect vulnerable consumers unable to engage with energy markets

Core business for ECA:

- ... potential common ground with ENA?
- Increase understanding of Behavioural Economics

### 3. Energy used productively and efficiently

- National Energy Productivity Plan (NEPP)
- Split incentives in rental housing -> MEPS
- Best practice policies & programs -> Power Shift
- The DER dilemma - threat or opportunity?
- Cheapest electricity will be in the middle of the day ... soon

#### Recommendations for ECA:

- Understanding consumption patterns
- Understanding behavioural economics

# 4. Robust Consumer Protections

## Key issues

- Debt and Disconnection
- New Products and Services
- Life Support Equipment
- Monitoring and reporting

## Recommendation for ECA:

- Build the evidence base

## 5. Capacity to Pay

- Concessions
- Income adequacy
- Align energy affordability with housing affordability
- Research and analysis – after housing costs

Recommendation for ECA:

- Build the evidence base: Commission an extension of *Poverty in Australia* to include latest ABS Household Expenditure Survey data

# Distilled to 5 Public Policy Outcomes

An objective of *universal access to affordable energy services* requires energy policy, social policy, environment policy and consumer policy to deliver:

- Stable & Efficient Pricing AND
- Informed, engaged, empowered consumers AND
- Energy consumed efficiently and productively AND
- Robust consumer protections AND
- All households have a capacity to pay their energy bills